

Amando M Tetangco, Jr: Career executives in government – making lives better for Filipinos

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the CES Circle Forum, Manila, 26 January 2009.

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Executive Director Allones of the Career Executive Service Board, distinguished panelists, the elite corps of government employees who make up the Career Executive Service Officers and Eligibles, colleagues in government service, special guests, good afternoon.

On behalf of the men and women of the Bangko Sentral ng Pilipinas, I welcome all of you to our head office for the inaugural CES CIRCLE Forum.

CIRCLE, which stands for Creative Innovations and Reforms for Committed Leadership and Effectiveness, is a most appropriate symbol for this program that aims to nurture thought leadership in government: a circle is never-ending and so should our efforts to learn and continuously find better and more efficient ways of doing things.

I also find the timing for this new program for CESOs and CES eligibles quite auspicious. This is the first month of the year and, coincidentally, the celebration of the Chinese New Year – the beginning of the year of the Ox, one of the most hardworking and productive creatures on earth.

Ladies and gentlemen, for its resolute efforts to strengthen and broaden professional competence in government let us give the CES Board a well-deserved round of applause!

The theme for this Circle Forum is thought-provoking and challenging: *Bagong Taon, Mga Bagong Hamon, CESO't Eligibles, Paano Ka Tutugon?"*

Earlier, you heard about the labor situation as well peace and national security issues. On my part, I cannot overemphasize that this will be a particularly challenging year for us as a country as we grapple with the impact of the ongoing global financial crisis. What began with the market turmoil surrounding U.S. subprime mortgages, has become an economic and financial crisis that threatens the global community in magnitudes reminiscent of the 1930s "Great Depression".

No economy has been unscathed by the global headwinds. And the crisis has landed on our shores as well. As leaders and managers in our respective government agencies and offices, the burden is upon us to craft and implement policies and measures that will enable our country and our people to ride out this economic and financial storm.

Current situation

How should we respond to the challenges before us? The first step is to recognize where we stand at the moment. Thus, allow me to share with you some insights on the impact of the global financial crisis on the Philippine economy.

As we all know, 2008 has turned out to be one of the most challenging years we've had, as we coped with two major challenges. In the first half of the year, we were confronted by surging prices of oil and non-oil commodities which caused inflation to accelerate globally. In the second half, we faced the international financial turmoil that was ignited by the U.S. subprime mortgage problem and, which subsequently, turned into a global financial meltdown.

While the Philippine economy has remained generally resilient and has been described by a ratings executives as an "island of calm", it does not mean that we are totally immune to adverse global developments. As in most other countries, our currency has generally

weakened, credit spreads have widened, and the stock market has fallen. Some economists believe that 2009 could even be tougher than 2008 once the impact on the real economy is felt.

Nevertheless, it is not all gloom and doom for us. The Philippines has buffers that can help us through the current global economic crisis.

Our output growth continues to be demand-driven, led by consumption as well as capital spending. Moreover, the country's GDP growth for the first three quarters of 2008 is still within the country's long-term growth trend. Compared against our neighbors, this growth performance is quite respectable.

Meanwhile, easing prices of oil and other non-oil commodities in the world market and moderating inflation expectations have reduced inflation pressures and protected the people's purchasing power. Easing inflation pressures provide flexibility for the BSP to formulate policies supportive of the real economy while keeping an eye on the risks to stable prices.

Recent adjustments in fiscal targets also provide some policy space to support growth. The postponement of the balanced-budget objective to 2010 should provide additional resources to government to boost infrastructure spending and enhance social safety nets that will protect the vulnerable segments of our population.

The country's stable external payments position also provides additional buffer against the global economic slowdown. The country's balance of payments, although significantly lower than in 2007, has remained in surplus in 2008 with our Gross International Reserves at an all-time high.

Finally, the banking system remains sound due to continuing policy and structural reforms. Our banks have limited exposure to structured credit and related derivative products which were the main cause of the large losses of crisis-affected international institutions. Liquidity in our banking system remains adequate and bank lending operations continue to expand at a healthy pace. Furthermore, our banks are capitalized above the global standards and BSP regulatory requirement.

Moving forward

The next question is how do we move forward?

First, given the buffers I have mentioned earlier, we should face the global headwinds with an underlying belief in the resilience of the Philippine economy. The message is that 2008 has been a tough year and 2009 will most likely be tougher – but our economy is in a better shape to weather this global storm. This is not our first crisis, nor will it be the last. This time around, we are entering the crisis from a position of relative economic strength.

The key is to manage the factors that are within our control, to maintain a positive mindset, and to capitalize on our time-tested resiliency and ability to innovate amidst challenging times.

This brings me to my second point. We should press on with the strategy that has so far kept us in good stead – macroeconomic prudence. Sound macroeconomic fundamentals are the first line of defense during these trying times. Our experience in the past years has demonstrated that sound monetary, fiscal and structural policies have a salutary effect on the economy. The key challenge is to continue to have a consistent and coordinated monetary, financial and fiscal policy response to the ongoing crisis.

The commitment to tackle policy challenges boldly through purposeful reforms to strengthen institutional underpinnings, improve productivity and boost international competitiveness should ensure a steady anchor to the country's economic prospects amidst the inevitable global storms.

On the part of the BSP, we will continue to craft monetary and financial policies that will support broad-based economic growth while keeping prices stable. In other words, the BSP's monetary policy will continue to focus on achieving price stability while allowing room for the economy to grow.

The BSP will also continue to stabilize financial conditions through reforms that will foster healthy financial balance sheets. We will guard against systemic failures through liquidity provision when necessary, while keeping inflation under control. This will ensure the effective functioning of transmission channels for monetary policy. In turn, this should reinforce confidence in the financial markets and in the economy as a whole. The ultimate goal is to have a more balanced and inclusive economic growth and development that will sustain durable wealth creation.

However, you and I know that improved frameworks and policies will be useless if we don't have competent and dedicated professionals to implement them. Beyond policies therefore, what we should nurture in the career executive service is the drive for excellent leadership. This, to me, is the value of the CIRCLE Forum.

Indeed, this is what we need in our government: innovative and committed leaders, trailblazers in their fields and effective in the way they do things, wherever they are. Given the hard times that confront us, our challenge is to find opportunities for productive and innovative activities. This is a call for active participation at a time when the economy needs us the most.

Now, more than ever, we should be conscious that as civil servants, our actions or inaction affect the lives of millions of our countrymen the Filipinos we have pledged to serve to the best of our abilities.

Concluding remarks

Ladies and gentlemen. One of the many positive traits associated with us as a people is resiliency the Filipino can-do spirit. Thus, even as we look at 2009 as a serious challenge for our country, I am confident that as long as we remain united, we can ride out this crisis and emerge stronger and better prepared to benefit from the opportunities that the next global economic upturn shall bring.

As leaders and managers in our respective agencies, let us look for opportunities where we can improve our services and inspire confidence in the government and in our economy. Let us strive for constant change for the better. Together as one team in the civil service, let us work with vigor and dynamism as we face the challenges ahead confident that we can make a difference in making lives better for Filipinos.

Mabuhay ang Pilipinas! Mabuhay po tayong lahat!

Maraming salamat!