

## **Amando M Tetangco, Jr: Sustainable inclusive growth and good governance**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 2016 General Assembly of the League of Municipalities of the Philippines, Manila, 10 February 2016.

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Distinguished officers and members of the League of Municipalities of the Philippines (LMP) under the leadership of National President Sandy Javier, fellow workers in government, special guests, magandang hapon sa inyong lahat!

Thank you for inviting the Bangko Sentral ng Pilipinas to your general assembly with the theme “2016 and Beyond: Promoting Good Governance and Sustainable Inclusive Growth.”

This is the first time for me to speak before an association of local government executives. Some of you may be wondering why a Central Bank governor is addressing municipal governments. Well, two reasons. First, LMP National President Javier is a former classmate in college and two, BSP shares your objective of postering sustainable inclusive growth.

Pareho po tayo. Clearly, our government – at the national and local levels – believes that promoting sustainable inclusive growth and good governance go hand in hand. In this connection, I am pleased to report that our track record shows that we continue to achieve major gains in both fronts.

Just the other week, the National Economic and Development Authority reported that that our economy expanded by 6.3 percent in October to December last year. Ladies and gentlemen, this means that the Philippines has achieved 68 quarters of uninterrupted or sustained economic growth.

This brought the average full year economic growth of the Philippines to 5.8% in 2015, among the highest in Asia after India, China and Vietnam. Our growth would have been better if we did not have to deal with the adverse effects of El Nino, other weather disturbances and adverse external conditions.

In fact, analysts describe Philippine economic growth as remarkable, as it is taking place when the global economy is slowing down as a result of financial and geopolitical challenges.

NEDA said this level of growth (in the last five years) has not been seen in the past four decades as this is based on public and private investments in areas that create jobs, increase incomes, and improve people’s wellbeing. In other words, these are investments that promote sustainable inclusive growth. On the part of the BSP, we continue to be successful in providing stability to prices through our monetary policies and in keeping our banking sector sound, stable and liquid.

All these give us cause to be optimistic about sustaining inclusive growth in 2016 and beyond,... particularly if adherence to good governance becomes the norm from the national agencies as well as to the local government units.

Members of the LMP, good governance is also the rationale that underpins the requirement by government to get prior opinion of the BSP’s Monetary Board (MB) on all government loans, including those from LGUs to ensure that borrowings are consistent with overall state financial goals. This requirement is essentially based on the 1987 Constitution (Article 12) that mandates the BSP to provide policy direction in the areas of money, banking and credit. Furthermore, Republic Act No. 7653 or the BSP Charter (Section 123) provides that the BSP functions as financial advisor on official credit operations of the Government, its political subdivisions and instrumentalities.

The objective is to enable the BSP to monitor public sector borrowings and to assess their impact on monetary aggregates, the price level and the balance of payments in fulfillment of its role and mandate to promote and maintain monetary and financial stability.

As you may know, requests for MB opinion on planned borrowings may be submitted directly to the BSP by the LGUs or through the lending banks.

The BSP recognizes the importance of credit to LGUs, particularly municipalities. Thus, the BSP has issued circulars to streamline the documentary requirements and facilitate the review process on how LGUs can secure MB opinions on LGU loans.

We have since registered a significant increase in LGU's engagement with the BSP. In 2015, the BSP received a total of 347 requests for MB opinion, an increase of 35 percent from the 257 requests in 2014. The cooperation of the LGUs and lending banks enabled the BSP to render MB opinion on 334 or 96 percent of these requests.

About 76 percent of the requests we received in 2015 came from municipalities, involving a total of P12.2 billion. It is notable that the majority of the loans for which BSP rendered an opinion in 2015 were used for infrastructure projects such as farm-to-market roads, public markets and multi-purpose halls.

These purposeful spending by local governments provide a boost not only to community development but also to broader national growth. Indeed, in the context of governance, local government units play a significant role in ensuring that investments made translate to better infrastructure, employment generation and sustainable inclusive growth.

The BSP continues to review its procedures to further refine and facilitate the process of securing an MB opinion, as well as to address issues concerning the length and the validity of the MB opinion. These efforts constitute BSP's support for LGUs in delivering critical economic and social services to your constituents.

In addition, the BSP continues to develop an inclusive financial system that supports sustainable inclusive growth. This covers economic and financial education, consumer protection, as well as access to credit through microfinance or the Credit Surety Fund program.

As of January this year, there were 45 operational Credit Surety Funds across the country. Together, they have granted more than P2 billion in loans to Micro, small and medium enterprises or what we call MSMEs. Under this program, collateral-challenged MSMEs that are members of cooperatives gain access to bank loans with credit guarantees issued by the Credit Surety Fund. In some provincial CSFs, certain municipalities share in the pooling of contributions of cooperatives, banks and NGOs to provide surety cover or guarantees for credit-worthy MSMEs.

You will also be happy to know that the BSP and 12 other government agencies are now working together to implement the National Strategy for Financial Inclusion, a common platform to reach out to the unbanked and the underbanked sectors of our society so that they can benefit from being part of the formal financial system.

We hope to partner with the LMP and its members to make this a truly successful grassroots program. For your constituents and your municipalities, financial inclusion means being part of the mainstream where financial services such as deposits are safer and where loans are infinitely more affordable (from 15 to over 20%), compared to informal lenders who charge as much as over 1,000 percent in interest per year. This should generate tremendous benefits for those who remain outside our financial mainstream.

Finally, we seek the support of the LMP to continue to inform your constituents about our demonetization program. That while the old banknote series can no longer be used to pay for goods and services, they can still be exchanged for the new generation banknotes at banks or at the BSP branches and regional offices across the country until December 2016.

Ladies and gentlemen of the LMP. Sustaining the momentum of the Philippine economic success story lies on the decisions we make and the actions we take today; they provide the foundation on which to sustain economic activities that generate jobs and improve the lives of Filipinos. The task before us therefore is to secure this position of strength and deliver on our commitment to our constituents, amidst continuing change and challenges.

Let us continue to work on our common goal: to promote sustainable inclusive growth and good governance in 2016 and beyond.

Marami pong salamat sa LMP. Mabuhay ang ating mahal na bansang Pilipinas! Mabuhay po tayong lahat!