

# THE 2006 ACCOMPLISHMENT REPORT OF THE ARROYO ADMINISTRATION

## INTRODUCTION

The year 2006 was a banner year for the Arroyo Administration as it achieved gains in various fronts, increasing confidence in the country's macro-economic fundamentals and setting the stage for more triumphs in the coming years.

Significant gains were recorded in the balance of trade and foreign direct investments, helping ease national unemployment and underemployment. Inflation was kept at single digit levels. The peso appreciated to its highest level in years. The country's Gross Domestic Product (GDP) and Gross National Product (GNP) posted real growth for the year.

On the social front, the Arroyo administration delivered directly to the poor through continued and expanded access to basic social and human development services, land security and access to productive resources and livelihood and employment opportunities; that is, capital and credit, production, technology, markets and basic infrastructure.

To further spur countryside development, government established Super Regions with the clustering of regions and localities based on their natural geographical configuration and competitive advantage for a more focused and coordinated allocation of resources.

## MACROECONOMY

**National accounts.** The economy demonstrated strong resilience in 2006 despite serious internal and external challenges such as the rising commodity prices resulting from higher oil prices. Gross domestic product (GDP) posted a 5.4% growth. Real gross national product (GNP) improved by 6.2%.

**Inflation.** Inflation was kept at single-digit levels despite the pressures from international oil prices, averaging at 6.2%.

**Trade.** A 56% increase in the Balance of Payments (BOP) surplus (US\$3.769 billion) was realized compared to the 2005 BOP of US\$2.410 billion due in part to the increased OFW remittances of US\$11.44 billion from January-November which is 17.6% higher than the remittances during the same period in 2005. Exports increased by 15.8% at US\$ 43.3 billion from January-November compared to the US\$37.4 billion export earnings during the same period in 2005, slightly outrunning the 9.6% growth in imports (worth US\$47.36 billion). Thus, the trade deficit of US\$4.02 billion was 30.5% lower than the January-November 2005 level.

**Investments.** Foreign direct investments (FDI) reached US\$1.96 billion in the first ten months of 2006, 73% higher than the FDI in the same period in 2005, indicating growing investor confidence. Similarly, net foreign portfolio investments (FPI) inflows increased to US\$2.6 billion, 24% higher than the 2005 level of US\$2.1 billion.

**International reserves.** The country's gross international reserves (GIR) posted an all-time high at US\$22.9 billion by end-2006, US\$1 billion more than target. The current GIR level was kept even with the US\$220 million prepayment of the remaining loan to the International Monetary Fund (IMF) and the US\$72 million prepayment to the Asian Development Bank (ADB).

**Exchange rate.** The improvements allowed the peso to appreciate against the US dollar by 7.6% to ₱49.03 on 29 December 2006, its strongest level since 27 March 2001 when the US dollar was worth ₱49.16.

**Fiscal performance.** Revenue collection of ₱978.7 billion for 2006 surpassed the target by ₱4.6 billion. BIR contributed ₱651.9 billion as its collections went up by 20%. BOC contributed ₱198.2 billion to the overall revenues as its collections increased by 28%. Revenues from the Bureau of Treasury reached ₱73.9 billion, exceeding its ₱51.9 billion target by 42%. Likewise, revenues collected by other government offices grew from ₱48.3 billion in 2005 to ₱54.8 billion in 2006.

Cumulative expenditures for January-December 2006 of ₱1.04 trillion were 8.1% higher than the 2005 level of ₱962.9 billion. The higher disbursements were incurred largely to support expanded economic activity such as maintenance expenditures, infrastructure and other capital outlays.

Improved revenue collection and judicious spending by the National Government kept the budget deficit for 2006 to only ₱62.2 billion, about 50% of the full year target of ₱124.9 billion, the lowest the country has had since 1999.

## **PRODUCTION**

**Agriculture.** The agriculture sector posted moderate growth at 3.88 percent but this is more than double the 1.78 percent growth in 2004-2005. It grossed ₱887.6 billion at current prices or 8.62% higher than last year's record.

Among the sub-sectors, fishery posted the highest growth at 6.31 percent. The crops sub-sector achieved a 4.37 percent growth and the livestock sub-sector expanded by 2.57 percent. The poultry sub-sector contracted by 0.37 percent.

**Resource utilization.** While revitalizing minerals industry production to maximize economic gains, new approaches to prudent utilization of natural resources were adopted, emphasizing the use of safe, environment friendly technologies and integrating the values of social acceptability. Twenty-four medium and large-scale flagship mining projects, projected to generate US\$4-6 billion in investments, US\$100-130 million in excise taxes and 208,620 direct and indirect employment over the next five years, were implemented. As of September 2006, the twenty four medium and large-scale mining projects have generated total actual investments of US\$659.05 million and 8,408 direct jobs.

**Power and Energy Production.** Moving towards higher energy independence, government accelerated the exploration, development and utilization of indigenous energy resources; intensified renewable energy development; increased the use of alternative fuels; and enhanced energy efficiency and conservation measures. The country's self-sufficiency in power reached 64%, compared to 56% in 2004 due to the significant 32.3% increase in production from the country's biggest natural gas field, Malampaya, thereby making natural gas the biggest source of power at 29.8%.

**Services.** Almost 60% of the GDP growth was contributed by the services sector which accounted for 3.01% of the 5.4% GDP growth in 2006. Although slower than 2005's growth, the transportation, communication, and storage sector remained strong at 6.7%. The trade sector continued to be stable at 5.4% buoyed by the expansion in retail trade (6.2%) which in turn was due to the all time growth in OFW remittances. The finance sector grew at 9.5 percent with the non-bank sector growing by 22.1%. Non-interest income-based activities buoyed the banking system. Loans to financial institutions, real estate and business services increased by 27 percent. Residential services (dwellings and real estate) remained bullish and further strengthened to 5.8 percent driven by lower interest rates. Outsourced back-office services continued to boom at 14.2% while personal services expanded by 8%. BOI reported that for the 1<sup>st</sup> semester of 2006 there were 19 IT services projects registered with total cost of PhP 430 million.

## **SOCIAL JUSTICE AND BASIC NEEDS**

**Jobs.** Government interventions in priority job generation programs resulted in more than 2.26 million jobs generated from January to September 2006. About 524,174 jobs were created by developing 294,029 hectares of new agribusiness lands.

In microfinance, the government released a total of ₱13.71 billion to microfinance borrowers from January to September 2006, which generated 321,021 new jobs for the same period. The government further supported 326,268 jobs by releasing ₱26 billion loans to SMEs from January to October

2006. The arrival of additional 195,404 tourists also created opportunities for generating a total of 238,393 new jobs from January to October 2006.

**Education.** A total of 13,242 classrooms were built from January to November 2006, or 221% higher than the annual target of 6,000. From July 2004 to November 2006, 23,268 classrooms were constructed, exceeding the three-year target of 18,000 classrooms by 29%. Textbooks delivered for CY 2005 reached 1.26 million with the textbook to pupil ratio ranging from 1:1 to 1:3.

On the provision to all public high schools of computers and internet connectivity by 2010, 73% (3,526) of the 4,830 public high schools have been provided with computer labs while 30% now have internet connection.

**Healthcare.** As of December 2006, the Philhealth's Sponsored Program reached an enrolment of 4.48 million indigent families or about 22.5 million poor Filipinos. The government also continued to improve the availability of and access to low-priced but high quality medicines for the poor through the establishment of some 7,400 Botika ng Barangay outlets nationwide as of December 2006 and the issuance of License to Operate to a total of 63 Botika ng Bayan outlets for the half of the year. Consumers generated savings of as much as 82% or an average of 61% compared to suggested retail price of branded drugs procured under the Parallel Drug Importation.

**Land Distribution.** A total of 269,876.82 hectares of private land were distributed from January to December 2006, while 56 Certificates of Ancestral Domain Titles (CADTs) covering 1,110,018.93 hectares and 150 Certificates of Ancestral Land Titles (CALTs) covering 4,838.23 hectares were approved from July 2002 to December 2006.

**Housing.** From January to October 2006, the housing sector provided security of tenure and constructed affordable housing units to benefit a total of 110,601 families, with total expenditures of ₱36.516 billion.

Housing loans aggregating to ₱14.713 billion were also released benefiting some 35,603 member-borrowers through the Pag-IBIG Fund alone from January to October 2006.

**Electricity and Water.** A total of 1,437 barangays and 3,911 sitios were provided with electricity (from July 2004 to November 2006) bringing electricity access to a total of 39,671 barangays out of 41,945 potential barangays, or an electrification level of 94.58 percent.

Water services were provided to an additional 200,000 households or some 2.3 million people in Metro Manila and nearby areas. This increased water service coverage from 74 percent in 2000 to 88 percent in 2006. Of these, about 164,400 households or 1.33 million people in the urban poor sector have been

provided water connections this year bringing to 243,800 households or 1.97 million people with direct water connection.

**Disaster management.** With the series of natural disasters that befell the country, the government also intensified its efforts to put in place disaster management measures that would prevent/minimize loss of lives and property. It prioritized the completion of geo-hazard maps and provision of maps with scale of 1:50,000 to the 1,300 municipalities nationwide. As of September 2006, geohazard assessments were completed for some 486 municipalities. Eighty (80) geohazard maps at scale of 1:50,000 were produced and distributed to 115 priority municipalities. Areas with very high vulnerability to landslides were provided with maps at a scale of 1:10,000.

## **NATIONAL SECURITY, PEACE AND ORDER**

To back up its intensive drive against terrorism and insurgency, government pushed forward its program to modernize and upgrade the capabilities of the country's armed and peace-keeping forces. The 10-point Philippine Defense Program was aggressively pursued to enhance DND and AFP operations and manpower complement, alongside efforts to institute internal reforms such as the operationalization of AFP's internal audit system and assurance of transparency by involving civil society as observers in the AFP bidding processes.

At the same time, the Administration forged ahead with its peace talks with various rebel groups, ascertaining the adherence of both sides to existing treaties and agreements, while pursuing its enhanced amnesty, reintegration and reconciliation program.

Executive Order No. 569 was issued in September 2006, which defined the role of the Regional *Kapit-Bisig Laban sa Kahirapan* (KALAHI) Convergence Groups (RCKG) as the "Regional Peace Advisors" in the peace process. These advisors were tasked to facilitate, coordinate and monitor the implementation of the National Peace Plan and serve as quick-response mechanism to prevent escalation of armed-conflicts in their respective regions. To further strengthen citizen participation in the peace process, the Peace Education Teaching Exemplars for Public Elementary and Secondary Schools was launched nationwide. Multiple peace channels and agents were tapped through the conduct of interfaith dialogues, regional peace process forums, seminars and other media-based information and education campaigns for national solidarity.

To address the continuing threat of extrajudicial killings, the President formed Task Force USIG within the PNP to investigate the incidents of slain partylist/militant members and media personalities. Latest data indicate that 47 out of the 114 recorded cases of slain partylist/militant group members,

and 21 out of the 26 recorded mediamen slaying since 2001 have been solved and filed in court. Of these, a total of 37 cases have been filed by Task Force USIG since May 2006.

In August 2006, the President directed the PNP to solve at least ten cases of extrajudicial killings within ten weeks. The PNP was able to file a total of 24 cases in court, and arrest 12 suspects within the timeframe set by the President.

In August 2006, the President created the Independent Commission to Address Media and Activist Killings through Administrative Order No. 157. Tagged as the Melo Commission because its designated Chair is former Supreme Court Justice Jose Melo, this body is vested with broad powers to prioritize and focus investigation on media and activist killings and recommend appropriate prosecution and legislative proposals to address the root cause of extra judicial killings.

## **IMPROVING GOVERNANCE AND FIGHTING CORRUPTION**

**Infrastructure and regional development.** The year also saw through the Administration's moves at focused development management. To enhance the competitive advantages of the various regions, strategic infrastructure building projects ran along a new clustering of regions into five "super regions" that would allow more coordinated and optimized allocation of resources. For each super region, a "Development Champion" was designated to serve as catalyst and prime advocate of the strategic development theme in his area of assignment.

- (1) *The Northern Luzon Agribusiness Quadrangle (NLAQ)* to spur the country's agricultural productivity and food production;
- (2) *The Luzon Urban Beltway (LUB)* for a globally competitive urban, industrial and services center;
- (3) *The Central Philippines* as the country's tourism hub;
- (4) *The Agribusiness Mindanao* as the agribusiness hub in the south; and
- (5) *The Cyber Corridor (CyCor)* which traverses the entire country from Baguio to Davao, focusing on information and communication technology (ICT) and knowledge economy, investments and projects on the corridor to boost telecommunications, technology and education.

The implementation in these 5 super regions of some 84 infrastructure projects is being accelerated to facilitate the exchange of goods and services and allow development to make inroads into these areas at a much faster rate. The aggregate cost of these projects – placed at P404.4 billion – shall be shared by government agencies, local government units, government corporations, and the private sector. This also signifies the crucial importance of partnerships across different sectors and levels of operation of the economy.

**Anti-corruption.** With the vigorous implementation of the Government Procurement Reform Act, processing time was reduced to a maximum of only three (3) months for the procurement of goods.

Some ₱1 billion for anti-corruption efforts was also allocated to match the \$20 million anti-corruption fund support provided by the US Millennium Challenge Account (MCA) Support Fund which recognized the country's vigor in fighting corruption. The fund has been allocated to participating agencies as follows: PDEA (P407.6 million), BIR (P153.0 million), Customs (P105.5 million), PCVF (P60.5 million) and PNP ( P37.0 million).

The budgets of anti-graft institutional bodies were also augmented to ensure funding for their initiatives. The Presidential Anti-Graft Commission (PAGC) budget was increased by P10 million in 2006 and this contributed to the speedy resolution of 85 graft cases, at least 25% of which carried punitive recommendations.

The budget of the Office of the Ombudsman (OMB) was increased by 38% in 2006 to P935 million, enabling the agency to hire more investigators and prosecutors. This facilitated action on cases before OMB, resulting in the dismissal of 78 and suspension of 17 others; and the filing at the Sandiganbayan of cases against 16 mayors and 2 governors. This is in addition to the dismissal/suspension of high-ranking officials from the BIR, Customs, DPWH, PPA and members of the military.

Through the Lifestyle Check (LSC) Program which was launched in 2003 to promote integrity by strengthening the threat of detection and retribution for misbehavior, some 13 more high-ranking officials from the DPWH, BIR, BOC, were dismissed from service during the year, with another three (3) officials from the BOC and BI meted preventive suspension.

Notably, observers and analysts have conceded the Administration's effectiveness of anti-corruption crusade. The enterprise survey of the Social Weather Station showed a 23% drop in the number of managers who said they were asked for bribes in the National Capital Region (NCR) over the period 2000-2006. The American Chamber of Commerce reportedly observed abatement in corruption in the country, from 88% in 2004 to 77% in 2005, a trend that the World Bank's corruption indicator confirms.