

Regional Social Security Forum for Asia and the Pacific

Speech of Noli de Castro, Vice President of the Republic of the Philippines

Manila, Philippines, Wednesday 21 October 2009

Good morning,

I am pleased to join you today for the opening session of the International Social Security Association (or ISSA) Regional Social Security Forum for Asia and the Pacific. Let me also take this opportunity to extend my warm greetings to our foreign guests. On behalf of our people and our government, welcome and *mabuhay!*

The context

This Forum could not have been held at a more opportune time and in a more appropriate place.

I say your timing is perfect because we are in the midst of an economic crisis that has affected the entire global community. This crisis has led to massive changes in economic relations, not just between individuals and institutions, but also between markets, states, and regions. The immediate impact has so far been far-ranging and the effects are expected to be felt for many years to come.

We saw how institutions that were once considered as bastions of financial stability and strength have fallen. And at the same time, we saw the state taking on a greater role in the market, at the prodding of market players themselves.

In the midst of all these, social security takes on an immensely critical role.

On a more parochial level, we are holding this forum in the Philippines barely two weeks after we were hit by two very destructive typhoons. And even as we gather here today, we are expecting with much anxiety the landfall of yet another strong typhoon. And as always, we brace and allow ourselves to be battered. And as soon as the storm is over, we pick up the broken pieces and . . . Wait for the next typhoon . . . I mean, start anew.

My grandchildren used to love it when there is a typhoon. The question asked of me then, was “*grandpa, what is the storm signal?*” (they know that I judiciously monitor weather reports). Well, of course they used to anticipate with glee reports of “no classes.” And I never scolded them because I had the same attitude when I was their age --- many, many moons ago. I thought --- in time, they will understand. And that attitude changed with typhoon Ondoy.

Now, as soon as the rain starts pouring, they look out of the window and monitor the level of water, then they run back to tell me with that anxious look in their faces: “*grandpa, it’s getting higher!*” And oddly enough, I have the same level of anxiety as them! I worry about the heavy rains and flooding and the havoc they could do, especially for the poor and the disadvantaged.

And so therefore, social security issues have been at the forefront of policy discussions over the past weeks because of the recognition that many families, if left on their own, may not be able to cope with the effects of the typhoons.

As a result, social security institutions in the Philippines are faced with the need to immediately react to the requirements of our people, while still ensuring that our programs remain sustainable and viable in the long-term.

It is in situations such as these that we see the great importance of good governance in promoting social security. Using the Philippine experience, let me share with you three dimensions where good governance and social security often interact.

The policy arena

The first deals with policy. Sound macroeconomic policies impact on social security in terms of generating economic activity, stable employment, and steady income for vulnerable households.

Without a supportive economic policy, the fiscal drain on the resources of government will simply be too much for government to handle.

In the Philippines, we kept our macroeconomic situation stable and supportive of social security. Our success in keeping inflation rate at historically low levels is perhaps the best support government policy has provided to social security.

Without the regressive effects of inflation, the vulnerable sectors are better able to handle the changes and the pressures that both the global crisis and the local disasters have imposed on them.

On a more specific case, one of our social security institutions which I chair, the home development mutual fund or the pag-ibig fund, has been quite active in creating a policy environment that will improve access to housing.

Over the past three years, the fund has introduced more reforms in its lending guidelines than at any other period in its 28-year history.

Housing loan interest rates were adjusted five times from 2006 to April 2009, resulting in an environment of low interest rates. The biggest cuts were in the lower loan packages that target the ordinary wage earners. Loan payment terms were increased to a maximum of 30 years for all packages.

Today, members of the fund may borrow up to 3 million pesos, payable at a maximum of 30 years, and with interest rates ranging from 6 percent to 11.5 percent.

With the fund's affordable loans, home ownership became a viable and practical option over rental housing. The monthly amortizations have become more affordable than even monthly rental rates.

Politics and social security

The second dimension concerns balancing political realities with the requirements of the future. This is a very sensitive issue.

As you are all aware, our country is entering a period of political transition. In about seven month's time, we will hold a combined national and local election where elective positions from president to local government executives will be contested by various individuals and political parties.

Social security institutions will be under pressure to deliver their service. At the same time, they will be under close scrutiny by both administration and non-administration candidates. I hope that during this critical period, our institutions will continue to promote what is right, and not just what is acceptable. They have to continue providing services to those who need them, to the victims of typhoons Ondoy and Pepeng, and to the poor families who are the most vulnerable in the country.

Institutional innovation

The third dimension covers promoting innovation to improve service and strengthen our institutions.

I need not overemphasize the importance of having a strong information and communication system within the different social security institutions.

In the Philippines, our pension funds have taken the lead in promoting the use of information technology to improve their processes and services.

Though the results have not been fully appreciated by our people, due perhaps to intermittent problems in implementation, I am quite confident that history will judge them kindly.

After all, the change that IT systems can bring to improve service delivery will only be evident once the process is completed and the expected beneficiaries have adapted to the new way of doing things.

The other area of innovation is in financial management, particularly in investments.

Social security institutions in the Philippines can benefit from the experience of similar institutions abroad who have diversified their investment portfolios. While investment is not really the main preoccupation of our social security institutions, a good and healthy portfolio will ensure the sustainability of the institution and its continuing capacity to serve the needs of its beneficiaries.

Sharing and learning

My friends, I am pleased to see that this Regional Forum is very much in tune with the demands of the times.

In the succeeding sessions, you will be taking up issues that affect social security systems in the Asia-Pacific region within the purview of the global crisis and in the context of the specific situations faced by our respective countries.

I hope that we can continue to learn from one another, so that we can better improve the provision of social security in this part of the world.

True, we cannot solve all the problems of the world. But at least in our region, and in our respective institutions, we can put to good use the learnings that we derive from the experience of our counterparts from Asia and the Pacific.

I wish you the best and hope for the success of this Forum. Thank you and good day.