

THE PHILIPPINES

Special Report

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Robust economic growth

IN THE SWEET SPOT

The Philippines has been the center of attention for the past years as another bright spot for investment amidst shaky global economy. According to a Bloomberg survey last year, the Philippine economy is expected to grow about 6.3% of its GDP which places it second to China's 7.0% forecasted growth. With optimistic outlook and upcoming plans to harness the country's full potential, the Philippines is on its way to become a new global investment destination.

Since President Benigno Aquino assumed office last 2010, the Philippines has been undergoing a major overhaul in improving its image as a promising investment hub. Some of these notable implementations are the programs to fight corruption and improve the government's fiscal management. The current administration has been bound to prosecute those who have misused government funds regardless of their position in the bureaucracy. Meanwhile, the National Economic Development Authority (NEDA) has devised a Philippine Development Plan (PDP) which aims to create a sustainable economic growth

through policy making and execution development plans such as improving industry competitiveness, facilitating infrastructure development, strengthening the financial sector and generating more employment. Infrastructures are being built to meet the growing demands for office and residential spaces as well as paving more farm-to-market roads for more efficient transportation of agricultural products. Upgrades in the education system through the K-12 program is being integrated as the country aims to produce a more competitive workforce. Policies are implemented to ensure that businesses continue to flourish without compromising the inclusive growth that the current administration is advocating for. These programs have gained renewed interest from both local and international investors. In fact, three major credit rating agencies namely: Moody's, Fitch, and Standard and Poor's (S&P) have upgraded the country's credit status to "investment grade", which means that the country is stable and there is low risk to investors.

Furthermore, with investment-friendly climate in the country, expansions in businesses have paved the way for developing new economic hotspots around the archipelago giving more opportunities for the young and competent workforce to get involved. Business Processing Outsourcing (BPO) industry has been in the forefront in providing these opportunities to young professionals. As part of the Service sector that makes

up 57% of the country's GDP, the BPO industry has seen rapid annual growth of 17%. The growth is mostly attributed to the population's proficiency in the English language and its flexibility to adapt in the ever changing global market. Currently, the BPO is ranked as the third highest foreign exchange earner, it would not take long before it overtakes the dollar remittances of Overseas Filipino Workers (OFW). BPO industry is expected to generate 170,000 new jobs and bring \$ 20 billion in revenue in 2016.

Other than the BPO industry and OFW remittances, the tourism industry is becoming another economic key driver in bringing foreign exchange revenues posting more than \$ 4.64 billion in earnings this year and 8.24% growth rate. The Philippines is blessed with abundant natural resources. Of its 7,107 island, every single one has something to offer to everyone like pristine beaches, magnificent lagoons, stunning waterfalls and breathtaking mountains; but in whatever island you decide to take on you can always be sure that there is a smiling Filipino ready to welcome you and make you feel special. The Department of Tourism (DOT) with its "It's more fun in the Philippines" campaign has been tirelessly promoting these wonders all over the world, and at the same time preparing different avenues to attract not just visitors but also future foreign investors that see business potential in these sectors. Some of the visible fruits of these efforts are the development tourism-related infrastructures such as air and sea ports, improvement of road

access to key destinations and support in the growing hotel and hospitality industry.

Accounting to about 11.2% of the total trade or \$ 14.4 billion in 2014, the United States remains to be the country's oldest ally but also proves to be one of its top trade partners. Ranking third behind Japan and China, the United States continues to boost the economy through exports mostly in Electronic Products and Articles of Apparel worth a total of \$ 4.4 billion, and imports also led by Electronic Products with Cereal and Cereal Preparation valued to a total of \$ 3 billion. These numbers are primarily driven by the steady performance in the manufacturing industry as well as consumption of the buying population. The ever growing numbers in consumption is a good indicator of the increasing purchasing power of the Filipino consumer and a stable dynamics of the local market which also reflects the robust economic structure of the country.

The country is experiencing an economic boom through its strategic location, young and globally competitive workforce, renaissance of the manufacturing industry and sound financial management; it continues to be one of the best performers despite global economic instability in recent years. Opportunity and progress are underway as both public and private sectors work together to further improve the conditions of doing business in the country.

INDUSTRY AND TRADE



EMERGING AS A KEY ASIAN ECONOMY

Philippine commerce and trading industry trace way back in history even before the Spaniards brought in the Galleon trade. There were existing trading relations with China, Siam, India, Cambodia, Borneo and Moluccas which progressively continued until the Spanish government closed all Manila ports and were exclusively open only to Mexico.

The country has established a grid of foreign trade agreements with several countries since it opened its economy to foreign markets in 1980s. Currently, the country's active membership in several international trade organizations including APEC, ASEAN and WTO upgraded its role as a trade player in different industries. The country hosted the 2015 APEC summit which gained several bilateral agreements with the United States, Japan, Russia, Vietnam, Chile, South Korea, Australia, Papua New Guinea, Mexico, Canada, Colombia and New Zealand.

Japan was the country's top trading partner in 2014 which accounted for 15% of the total trade worth \$19.54 billion. Total exports to Japan including Electronic Products, Woodcrafts and Furniture products, Machinery and Transport Equipment, Ignition Wiring Sets, and Chemicals amounting to \$13.901 billion while total imports were valued at \$5.252 billion. Coming in second to Japan was China with a total trade worth of \$18.337 billion or 14.3% of the total trade.

The United States of America placed next to Japan and China as the Philippines top trading partner accounting for 11.2% or \$14.399 billion total trade in 2014. Majority of export products include Electronic Products worth \$3.180 billion and Articles of Apparel with \$1.215 billion accounting to a total of 60.7% share. The United States has been a primary import partner of the Philippines which consistently ranked as second top trading partner in importation. Major inward shipments from USA include Electronic Products valued at \$3.180 billion, and Cereals and Cereal Preparations worth \$553.9 million. US is also at the top tier moving Foreign Direct Investments inflow to the

Philippines. In 2013, FDI inflows from US reached a total of \$1.15 billion or 20.2% in total FDI inflows which came second to British Virgin Islands. Majority of investments were channelled to Manufacturing, Electricity, Water, Gas, Transport and Storage, Hotels and Catering and Administration Support.

The Philippines has several strong points which foster a robust investment climate. One factor that is well-known to the world is its skilled English-speaking workforce and also on top of that is the relatively young working population. It has a favourable investment policy and laws that liberalize business practices which opened up more fields to foreign investments, and also providing foreign investors with the same incentives as ASEAN members. The country also boasts of its large domestic market, and a strategic geographical location.

The current administration of President Benigno Aquino III has shown the political will to prosecute those who are involved in several corruption cases and allegations which somehow turned around the perception on the Philippines as a good investment destination. One of the main challenges for the Department of Trade and Industry (DTI) also is how to gain more Foreign Direct Investments from the United States where China has been its major investment destination. The forecast is gearing towards that goal as several American corporations who have stayed in the country for long years now are opting to expand operation and business in the country. Another opportunity also for investors is venturing in software and gaming development in the country with a relatively competitive training on the field.

The National Economic Development Authority foresees a sustained growth of agricultural exports with the opening up of new markets for sugar and bananas and increasing demand of raw (cane) sugar in Russia, China, Korea, Indonesia, Malaysia, China and India. Philippines still has plenty of arable land that could be utilized to reverse the trend of being a net food importer. Aside from government aide and efforts to the advancement and development of the country's agricultural sector, some private companies are also in for the advocacy.



Benigno Limcumpao, CEO of ACE TC

ACE TC or All Certified Equipment Trading Corporation aims to provide highest quality of farm equipment, speedy after sales services both giving full customer's satisfaction to our Filipino farmers. The company is the main distributor of Massey Ferguson tractors which is now the leading tractor brand in the country based on importation to the Philippine market. Its strongest selling point is its capability to provide parts and services to the Philippine market that can be accessed locally. Having international counterparts in different countries as Japan and Thailand is also a huge advantage for the company's operation with local farmers and government institutions.

According to Mr. Benigno Limcumpao, CEO of ACE TC, they synergize information from their counterpart distributors in Thailand and other countries to compare the method and system of farming with the Philippines. Mr. Limcumpao added,

"We've been bringing some implements for tractors. The tractor alone cannot work without implements. So what we did was bring in new implements, new technology especially for land preparation and planting. We showed them and we have to prove with some sort of demonstration that this system is better than the old one". In 2013, ACE TC was at the top 3500 companies in the Philippines with improving sales year by year which can be primarily attributed to its mantra on bringing in new technology to local farmers, to demonstrated their system and at the same time, invite people from the Department of Agriculture. Another factor to their success according to Mr. Bong Amoroso, VP and General Manager of ACE TC, the products that they distribute are the same products in the market in the last 15-30 years. Mr. Amoroso also reiterated that, "Our main business is also distribution. We bring in quality products and distribute it to industrial and agricultural sector. The products that we carry right now are a bit complete from land preparation to harvest facilities. We have engine to power the hand tractor. We have small and big tractors also to the mechanized farming. We also have equipment for post-harvesting like drying facility". The company is also at the forefront of mechanization of the agricultural sector which they see as a huge opportunity for the country. According to Mr. Limcumpao,

"as per the study on the Philippine market for mechanization, there's only 0.5 horsepower per hectare as compared to Japan with 7 horsepower per hectare. Can you just imagine the difference? And because of this ASEAN integration, we have to be mechanized otherwise; we cannot compete with our neighbors. We always like to be pioneering in this field. Like for instance, our dryer is a CT grain dryer from the US."

The agricultural sector itself poses a highly profitable investment opportunity for both local and international investors which could be manifested in Public-Private Partnerships with government institutions such as the Department of Agriculture and International Rice Research Institute.



Neogin Evangelista, President of Philusa

The distribution sector in the Philippines is widely spread in various fields which drives the growth of trade and commerce in the country. One particular company that partners with internationally renowned brands is PHILUSA which does not only venture in distribution but primarily in marketing. The company focuses on four major categories: personal care, baby care, health and wellness, and home care products. The company's growth is anchored towards its mission to provide quality products to Filipinos and its main competitive advantage, according to CEO, Mr. Neogin Evangelista is that

"Our brands are already household names. These are widely known and are top of mind in almost all these categories. Distribution wise, we are also widely available in almost all stores, and major distribution and retail channels. That's a key competitive advantage being in a



fast-moving industry. Aside from being widely available, our brands are also very visible and accessible. We partnered with Pfizer which is a global leader in the pharmaceutical industry. We introduced their top 5 generic molecules under the unit brand, Rhea Generics. That's a major development and game-changer in the pharmaceutical industry".

What's happening now in the retail and distribution sector is that it posted a growth of 4% in 2015 driven by consumer spending and the growing middle-class which fueled consolidation in the retail sector where big players acquire small or medium-sized enterprises through mergers and partnerships. Mr. Evangelista said that,

"We are still lagging behind in terms of Foreign Direct Investments but the good thing under the Aquino administration is that they were able to restore the trust and confidence of foreign investors. Maybe in the past, they already tried looking at the Philippines but that time was not the right opportunity for them to enter the market. Now, I think with the economic growth in the Philippines for the past years at about 6-7% is something that will attract retail players and foreign investors".

He also elaborated that the Philippines right now is in good shape as an investment destination as the government is converging its efforts to push for Public-Private Partnerships.



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Major players in aviation industry are also coming in to the Philippines. Philjets together with its partners are experienced major players in the Philippines' aviation industry. Through its subsidiary Philjets Aero Charter Corp., it aims to address the growing need of helicopters and jets charter, not only in the Philippines but throughout the entire ASEAN region according to international standards. According to CEO of Philjets, Mr. Thierry Tea, the idea with the company is to create a full solutions start-up company that can provide aircrafts sales, technical support and operations: "I wanted to create some value first. So I decided to create Starline Global Industries a Singapore based Investment Firm, which also has affiliates in Cambodia with Agama Investments. Starline invested into Philjets, which I created with some Filipino Friends. The idea was to create a full aviation solutions start-up company that can provide aircrafts sales, technical support, technical advice and operations. We bought a charter company and rebranded it to Philjets Aero Charter Corp. Philjets Aero Services sells spare parts, aircrafts and is licensed to do maintenance. We do aircrafts management and have reached USD 10Millions in assets, while eyeing to reach USD 20M in 2016. We do aircrafts management and have reached USD 10Millions in assets, while eyeing to reach USD 20M in 2016".

Philjets CEO also shares his background as an example of the opportunities that The Philippines have for business entrepreneurs willing to grow in the country: "I really wanted to have my own company because my grandparents came from Cambodia. They had to leave Cambodia because of the war. They went to France leaving their companies, families in Cambodia. They lost everything to the war. My grand Parents from both mother and father started poor,



Thierry Tea, CEO of Philjets

became rich businessmen, lost it all and my parents who were studying in France had no more money. They became poor and had to take jobs instead of studying, and they sacrificed a lot of their youth to be able to raise my brother and I. We had to work hard in school for them. It was my will to restore the name of the family in the entrepreneurial aspect. That's the major reason why I left the corporate world despite promising potential career".

He finishes saying: "Filipinos are really the greatest asset of the country. They are warm, friendly, and welcoming. This is really an advantage for both tourists and investors. We wouldn't be able to bring Philjets to where we are today in the span of 2 years if we did not have our Filipino team".

Although the country's international trade is growing, its lower dependence on export and relatively resilient domestic consumption are the main reasons why the economy has weathered global economic crisis and financial downturns. This poses a good sign for international investors to venture in the Philippine market of 103 million people and opportunities on infrastructure projects focused on agriculture, knowledge-based services such as IT and retail trade sector.

UPGRADING PHILIPPINES FINANCE SECTOR

The Philippines may have been lagging behind its Association of Southeast Asian Nations (ASEAN) neighbors in terms of attracting investment but the increasing number of banking and non-banking institutions reflects a positive outlook on the country's growing financial sector. The country had 648 operating banks; 9,700 bank branches; 15, 695 ATMs; 517 micro-financing banking offices; and 251 banks with e-banking services in 2014 as noted by

Central Bank of the Philippines (Bangko Sentral ng Pilipinas-BSP). E-banking services include online internet and mobile services, phone services, e-wallets and remittance cards which boost the convenience of banking and bank transactions attracting domestic clients. In 2014, funding from domestic deposits was a huge contribution to the 12% growth of financial system, which was also driven by double-digit growths in loans of 19.5% and portfolio investments of 13.3%.

Total resources of local banking system reached US\$ 233.46 billion in January 2015 with a 7.86% growth from the same period in 2014. Universal and commercial banks, which accounted for 90% of the banking industry's entire resource base, reported a US\$210.66 billion in total resources. On the other hand, smaller thrift banks accounted for US\$18.38 billion which posted a growth of 6% from January 2014.

largest financial government institutions.

Even after he retired from **SGV**, he still continues to work closely on the Corporate Social Responsibility of the company bearing in mind that education remains as the biggest challenge on why the country lags in attracting investors:

"Education. The main challenge is how to get rid of obsolete ideas. In other words, our main problem is population with over 100 million people in the country. The education system under the US regime was much better because they had money to support the schools. But with our population and the Catholic Church unwilling to support family planning, our population grew faster than the income. The quality of education is starting to go down. Right now, of 100 million people, 3 million are illiterate. They cannot read and cannot write. At the beginning, as far as the firm is concerned, the training of people for leadership is very successful. After I retire from the firm, I started to see the social problems of the country. The status of the bottom group has to improve. But how do they improve their status? The key is again, education but inaccessible to the bottom group."

Mr. Sycip also spread out his vision on working with boosting foreign investments in the country. He emphasized at the last part of his interview that investors should get into manufacturing, financial or education sector in the Philippines. He also cited the some other industries that he pioneered on such as the outsourcing industry (BPO). The country has huge potential, one in particular, is the success of retail operations encouraging Japanese firms to manufacture their garments here: *"For a company abroad, the main thing is to set up a firm which will eventually grow bigger."*

Looking at the country's banking system, it has received positive views from major credit agencies such as Standard & Poor's, Fitch and Moody's with upgrades to investment rating for the past year. BSP will continue to widen financial access points under a delineated financial inclusion strategy and closely monitor potential pressure points in adherence to its objective of promoting financial stability. It has also increase its resilience detrimental financial shocks by strengthening its financial position and funding structure.

The financial system can also sufficiently support the sustained demand for credit which is directed to key production sectors. Local banks show strong balance sheets with capital reserve above the national and Basel standards while banks' loan portfolios are also continuing to improve.

country's business sector. According to **Mr. Angel Mojica, President and CEO**, its way of contributing to socio-economic development of the country is by extending loans to non-banking sector of the population: *"Only 31% of all adults in the Philippines are utilizing bank in their commercial transaction. Definitely, there is still a big market out there for us to really develop."*

The bank is also continuously growing with its increasing deposits: *"UCPB Savings Bank has 619 employees and 42 branches. Our total asset is around US\$314.49 million. Our total loans are around US\$ 230 million. Capital is about US\$50.3 million. The minimum capitalization for savings bank is only US\$41 million. Last year, our capital is more than US\$63 million but we declared a dividend of US\$20 million and gave it to the mother bank because the commercial bank owns 97% of the savings bank. From January to September 2015, we made a profit of around US\$6.3 million. Our deposits are growing at the rate of 13-14% every year."*

Although the banking system, especially for private-owned, is growing in general, there are still challenges that Mr. Mojica is concerned about:

"I our case, one of the challenges is the heightened government regulations. Although we have to conform to the regulations issued by BSP, considering that a lot of circulars are coming out from Central Bank which we have to follow. It's somehow based on performance in the sense that our people have to really check all our processes and transactions to comply with all the

membership base. Right now, we are about more than 500,000 members- both regular and associate members. We also have the Veterans and those who have retired from the Armed Forces and the Police as members. From the Pnp\$50,000 fund in 1972, we have grown to about Pnp\$66 Billion of assets as of August this year. The capital contribution from our members have grown to Pnp\$41 billion. We have savings deposits coming from these members, an additional of about Pnp\$11.5 million. Our loan portfolio to these members is about Pnp\$2 billion. We're giving dividend through capital contribution of about 15.5%. The capital contributions of the members are all tax-free."



Another organization that is active in providing financial services to uniformed men particularly with the Philippine National Police is the **Public Safety Savings & Loan Association (PSSSLAI)**. The mission of the company is to maintain the personal membership and an aggressively recruit new ones in order for them to avail innovative services and products offered to them.

The company aims to provide loan facilities in the form of housing, personal and salary loans to policemen. **Atty. Lucas Managuelod (Ret. Gen.)**, President and CEO of PSSSLAI, who has been awarded as the Most Outstanding Officer of the Year of the entire Philippine National Police in its first year of celebration in 1992, said, *"Our advocacy is to help the policemen have a decent house and their dignity intact, because we found out that 75% of policemen and bureau fire personnel in Metro Manila are living in squatter areas"*.

The savings and loan company continues to fortify its presence in the financial sector by implementing very low interest rates at 11% per annum. *"We have the lowest*



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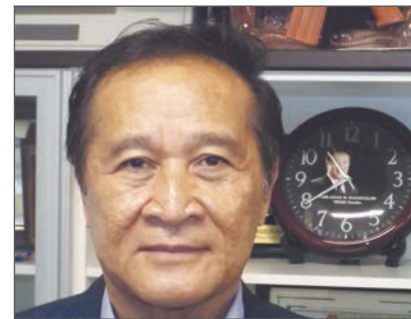


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documentations. I think all over the world, this is a requirement to control money laundering. Another thing is competition coming from government banks. Normally, we have several loan accommodations to employees of the Department of Education (DepEd) and Local Government Units (LGUs) but sometimes, there are government entities that do not really like to transact with us considering the requirements of Commission on Audit. They are requiring government employees to deal directly with government banks. That's one of our challenges."



General Lucas Managuelod, CEO of PSSSLAI

interest rates in the country, with 78 Savings and Loan Associations operating nationwide, servicing other private or government firms".

His vision of the company is clear: *"Our aim is to go as far as the most remote areas of The Philippines and establish offices there so that we can serve our policemen, jail guards, and firemen better", and the contribution to society and to the proper members of the institution is above any other aim: "We are also implementing a Corporate Social Responsibility (CSR) program, where we are giving back part of our earnings to member institutions by donating some equipment. Last September 21, 2015 we donated around 200 muscle motor bicycles to the PNP, worth 24 million pesos with helmets and police jackets. We have already donated since 2008 around 100 million pesos of equipment like computers, investigative equipment, bicycles, hospital ambulances, x-rays machines, MRI machines, etc. In addition, we send police officers to train for counseling, as we have noticed that there is no guidance counsellor for the Philippine National Police (PNP). We have sent female police officers to attend a one year diploma course in counselling—where we are paying for their tuition, books, fees, etc. and have provided them with a monthly stipend too"*.

He ends up with an optimistic and hopeful message of The Philippines: *"We are one of the fastest growing economy in the world. You can just imagine where we will be in ten years' time, so we want to contribute to the growth of the country and want to achieve the status of being a developed country"*.

INSURANCE SECTOR

The other non-banking side of the financial sector that is strongly present in the Philippine market is insurance. **Alpha Insurance** was born more than 50 years ago on 1957 and remains to be the main insurance companies engaging the business insurance and warranty in any branch of life insurance. **Mr. Jose H. Remo, President of Alpha Insurance** said that the biggest pie of their product mix is motorcars and third party liability. Second are bonds. The rest is combination of miscellaneous and



Jose Remo, President of Alpha Insurance

some other portfolio file with the most profitable in bonds.

The company's secret as to why it remains at the top of its field is hands-on management: *"Before, I go to every corner of the country. Another thing, we pay claims very promptly. As far as anything is concerned, we are not competitive but still we are doing good. It is known in the community, as far as Alpha is concerned, when you file a claim, we pay it very promptly. That's the formula because by word of mouth. If you pray prompt payment, you do not have to use the media to advertise"*.

Although the company is experiencing a bolster year by year in both financial and clientele growth, **Mr. Remo** shares his concern on why there is a low level of financial inclusion in the country:

"the people are not really well-educated as far as insurance is concerned even our agents. They don't know what products the company is selling. So what we do is conduct seminars left and right in Tacloban City. We go to the field, we go out and we bring our visual aids. We tell them what other products they can sell. We are also educating the population by spreading the word."

Despite this challenge, the company continues to engage in several CSR activities to educate people on insurance policies especially with retirement where most Filipinos are negligent of.

Although the financial sector, particularly the banking industry, is exhibiting continued growth and manageable non-performing assets, the country's low level of financial literacy and inclusion of small and medium enterprises (SMEs) remains a huge stumbling block to achieve stability. While foreign players are eyeing to expand their presence in the Philippines, it's rigorous for local banks to penetrate ASEAN member-states (AMS) banking markets.

Lastly, the government should establish policies supporting and enhancing the competitiveness of SMEs which make up 90% of the country's business sector. Currently, the country has stringent rules and procedures in putting up business especially for local entrepreneurs. Currently, SMEs are having difficulty in expanding their business or even start up because of capital. This is where the financial sector could step in where it does not only provide capital assistance to SMEs through loans but also lower their non-performing assets.



Washington Sycip - Founder of SGV Philippines

One particular person who is an icon of his own making is **Washington Sycip** whose life could as well be considered the reflection of the history of the country's financial sector. He is the founder of the largest professional services firm in the Philippines, the **SGV & Co.** **SGV** maintains its lead among auditing and accounting firms in the country with 40% market share of the highest grossing domestic and multinational companies included in the 2013 edition of Business World's Top 1000 Corporations in the Philippines. According to Mr. Sycip, the success of the company is largely attributed to meritocracy. He started his firm by recruiting the best graduates among the top universities in the Philippines including University of the Philippines, Ateneo de Manila and De La Salle University-Taft. The mantra he believed in choosing his employees is that, *"you win by the kind of people you have in the organization"*.

He also shared that he wanted to develop social consciousness among his partners to show their concern for the country and community by supporting positive impact on socio-economic development of the Philippines: *"There are 2 phases. When I was in the firm, my core idea was to get people to assume leadership. I mean let's say, Secretary of Finance and the Secretary of Industry came from our firm. Central Bank governor started as trainee in our firm and many others that are in leadership in the country."*

His contribution to the financial sector does not only revolve around providing quality, effective and efficient professional firms to several corporations and organizations in the country but also producing top professionals who have served and are serving the



Angel H. Mojica, CEO of UCPB Savings Bank

One of the top of mind domestic banks in the Philippines is the **United Coconut Planter's Bank (UCPB)**. Its subsidiary, the **UCPB Savings Bank** was established in 1963 as a consolidation of several thrift banks and rural banks located in different parts of the country, both in urban and rural areas. Presently, they have 42 branches all over the country that is fairly distributed even to the remotest areas.

The strongest feat of UCPB Savings Bank is that they normally extend loan to small and medium-sized industries which is one way of supporting 90% of the



Eric Severino, CEO of Encash

The growth of financial sector trickles across to a different field of operation other than the more popular banking and investment houses for non-banking institutions. **ENCASH** is a fast-growing non-bank ATM network operator that was established in 2007 with only five ATMs. In less than 7 years, ENCASH has grown to more than 300 ATMs and RTMs deployed and running with others in early stages of implementation in Luzon, Visayas and Mindanao. **Mr. Eric Severino, CEO of ENCASH**, is proud to say that they are the pioneer in the field:

"We were the first to start this business, developed it on our own, based on observations we made primarily in ATMs in the US. We started with NSYS, a distributor of NCR ATMs. As well, we are a non-exclusive reseller of SWITCHWARE, a transaction processor software package colloquially referred to as the ATM Switch developed by CSF formerly Consolidated Software of Florida, Inc. SWITCHWARE administrators and drives all of our ATMs, managing the entire network. In 2005 we realized that selling ATM was ultra-competitive, though the country only had 6,000 ATMs. Instead, we decided to operate ATMs, which gave birth to a company called ENCASH. At the time, ENCASH had the fastest growth rate among the ATM network operators in the country. Since then, commercial banks realized that there was an opportunity to expand the ATM market with the economy getting better. Thus the total ATMs in the country grew from 6,000 to the current 19,000 level."

A lot of remote areas nowadays are slowly discovered as fantastic tourist destinations. This is how ENCASH is planning to serve it purpose at the optimum level by placing ATMs for finance accessibility for both local and international tourists.

Providing financial services to uniformed men of the country's defense department is the **Armed Forces and Police Savings & Loan Association (AFPSSLAI)**, Inc. which started way back December 1, 1972. **Lt. Gen. Virgilio Domingo, President and CEO of AFPSSLAI**, shares the brief history and growth of the loan and savings company:

"We started with about Pnp 950,000.00 deposit from the AFP Mutual Benefit Association with only about 11 personnel. In 1991, the Philippine Constabulary was separated from the Armed Forces of the Philippines and organized it to Philippine National Police together with the local police units to answer the different problems in municipalities in the Philippines so we changed our name to Armed Forces and Police Savings and Loan Association. Right now we are catering to both organizations- the Armed Forces and National Police. This widened our



COUNTRY HEROES ABROAD

The Overseas Filipino Workers (OFW) have been the country's breadwinner for the longest time. They have been a consistent main economic driver through their foreign remittances with USD 22.830 billion for January to November of 2015 it amounts to 8.5% of the total Gross Domestic Product of the country. Be it a nurse, an engineer, a seaman or a domestic helper, the Filipino skill and passion have been known and sought after worldwide. More than 10 million Filipinos or 10% of the total population have decided to either work, study, and/or live elsewhere in the world. There are 3.5 million Filipinos in the US, which account for workers, migrants, and Filipino Americans, and most of them are concentrated in the west coast.

With the growing number of Filipinos around the world, local businesses have taken advantage of the opportunities to expand abroad and bring to the OFWs, the 2nd generation Filipinos and the Filipino Americans closer to the things they miss back home. And nothing brings the Filipinos closer to home than the taste of food that they grew up with. Jollibee and Max's Restaurant are a few examples of successful food chains that had brought the Filipino taste to the world. With increasing branches all over the world and gaining incredible success especially in the US with support not just from Filipinos but also gaining the attention of the local market in America. Meanwhile, **Mama Sita's** which had been a household name in the local food industry reconnects the migrants, the 2nd generation Filipinos and the Filipino Americans to their roots and cultural heritage. The company's President **Mrs. Clara Lapus** tells us how they started the business and her vision for authentic Filipino cuisine:

"It was my Grandmother, Asiang who wanted to have a restaurant where the food is affordable. Whether you're rich or poor, you can have tasty and affordable food. Up to now, it's still there because people are looking for affordable food. My Mother, Teresita, had 11 children so all the time she had to feed all those children. Her hobby was going to the market or to the farms or somewhere to buy food. Sometimes, she would store them. She would think of what else could be done to the things she bought like if she could make guava jelly after buying all the guavas that she could buy in the fields. She has that idea of providing livelihood. She was always, "Why don't you make this? Why don't you make that?" Sometimes, she wanted to make sinigang but there is no tamarind so she thought of preserving it so anytime they want to make sinigang, you can use it right away either for vegetables, fish, shrimp, pork or beef and they don't get tired of the taste. It's light, very tasty, refreshing and healthy. It's one of the most popular dishes in the Philippines."



Clara Lapus, President of Mama Sita's

Mrs. Clara Lapus also shares details of their strongest and most profitable product as the company had expanded into pastes, packaged and organic sauces: *"Locally, I think it's oyster sauce, but in the US, it's the barbecue marinade. Our banner product, the first product that we launched that actually got our foot in the door was the tamarind paste. It's the first tamarind paste in the market. When you open the bottle you can feed 40 people. Actually, it is a category onto itself. It is one of the main products that launched us worldwide. For people who really want the taste of the authentic pulp of the tamarind fruit, this is what they go for. This product is not changed since 1982. This is a product that is uniquely identified with us and our beginnings. Recently, we repackaged it to become more user friendly in a flexible pouch."*

She also revealed why the US market has the greatest potential and their need of a good partnership to harness this potential:

"The main market would be the United States. That's where the most number of Filipinos are. They're free, happy and can cook whatever they want. It's the best market. I think everybody wants to crack the US market. So our objective is to go into the mainstream because up until now, we're just on the fringes. We've been there for 30 years. Hopefully, with the increasing popularity and awareness on Philippine Cuisine, it will happen within my lifetime." "We have to find partners in the US to import our products. Our goal is to find a good distributor in the US. That could really help us penetrate the mainstream. We can support it from here but it's difficult doing it from here. Right now, we have a lot of importers in the US but they're distributed to the oriental stores and not to the main supermarkets."

Finally, she talked about their new product developments and next step future business plans: *"We would like our sugarcane vinegar to be in international market. Now we're expanding to include the sweet line starting with something you can eat for dessert and light snacks such as the seaweed gel-coolers. We're also going to make more natural tropical fruit syrups, essentially products that celebrate the distinct flavor of Philippine ingredient."*

While most of these opportunities have been through the conventional markets such as food, some businesses, have explored new avenues to help both the OFW's abroad and their families back home. A good example is **Generika Drugstore**, they already established a credibility of providing quality and affordable medicines with their 462 outlets nationwide, yet they've gone out further to provide OFW and their family a new way of ensuring their health and wellness. The President and CEO of Generika Drugstore, Mr. Teodoro Ferrer introduces their new service called "MedPadala" which combines the ease of cash remittance and access to affordable and quality medicines.

"MedPadala is a new service that we came up with. One of the OFWs asked if we are opening a store there in Hong Kong so they can buy the medicine there and send it back to the Philippines. She explained because she was getting frustrated with her family in the Philippines who ask for money for a lot of things and also ask money for medicines. She sends the money for medicine only to find out later on that they use it to buy other things or the latest phone. That's where the idea came from. What we came up with was, instead of sending the money, why don't we allow them to buy an electronic gift check, they get a code and they get a PIN which they can use themselves if they want to. We also sell it locally. You can basically give it to anyone who can go to any Generika outlet to purchase medicine. The condition is you can only use it to buy medicines and supplements."

It's a new product and we're taking advantage of the fact that there is a lot of Filipinos working abroad. We are not well-known yet overseas and at the same time, the product is new so it's not also familiar to them. What we've been doing is we have signed up channel partners who handle remittances so they could offer this option to OFWs. That's the thing we've been working on since late last year."



Teodoro Ferrer, President of Generika

He continues explaining this innovative product: *We are very delighted that we are getting positive responses. The other day, someone bought as much as Php 20,000 which is close to about US\$500. That was the biggest we've seen so far. There were also many inquiries coming in. Looks like what we're doing is the right thing plus, like I said, we're expanding channel partners and we're exploring other ways of creating the awareness. The other thing that can be very helpful here-- first, we have to create awareness on the MedPadala electronic gift check; second, to ensure our credibility to them that the products that we sell are effective and that it's not a scam. The most recent development is the entry of Ayala as our business partner. The Ayala HealthCare bought out the share of my partner, Julien Bello, which is 50%. That event has been very positive to us. First of all, Ayala has a very strong reputation here for quality products. The fact the Ayala, after looking at our company, said I want a part of that. We can make a lot of it, for sure, so we are spreading the word in social media, website and in everywhere else. We won the Most Innovative Company of the Year last 2014 given by the Asia CEO Award and MedPadala was the reason. It's a simple concept but nobody thought about it before."*

Undoubtedly OFWs will continue to be one of the backbones of the Philippine economy in the following years, and the companies with the ability to offer them adequate products and services for their needs, will have in this large sector of population a growing opportunity of business.



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AN UNFORGETTABLE EXPERIENCE

The Philippines is made of 7,107 islands, and each of them has something to offer every visitor that comes to explore this rich country. May it be the beaches of Boracay, the secret lagoons and rich dive sites of El Nido and Coron, the underground river of Puerto Princesa or just the breathtaking sunset of Manila Bay; nature has blessed the country with an abundance of beauty. But the fun doesn't end with these natural wonders; the country is also well-known for the warmth of its people, delectable food and diverse culture. These have not gone unnoticed, as the growing number of visitors every year. For 2015, there have been 4,395,812 arrivals according to the Department of Tourism. The United States has contributed the 2nd largest number of influx with more than 636,658 or 14.48% of total number of visitors.

Boracay, which is widely known as the one of the best beaches in the world, has remained as the top tourist destination in the country. Crystal clear waters, fine white sand and captivating sunsets have attracted travelers around the world, and Discovery Shores Boracay have been in forefront of complementing these experiences with the warmth of Filipino hospitality. Mr. Jose Parreño Jr., COO of The Discovery Leisure Company Incorporated (TDLC), shares what makes Discovery Shores Boracay special and why guests keep on coming back.

"What really makes Discovery Shores in Boracay special is our staff. It's the human touch, the Filipino touch of Service. When we built it, we really anchored on the staff. You can make a great architecture, you can design beautiful rooms but those are hardware. You know, people when they come especially when you become a repeat guest, they're all going to be the same. After 3 or 5 years, it's still hardware. You can innovate or renovate but you can't talk to them, you can't relate to them. From the very beginning, not only in Boracay, when we opened Discovery Suites in Ortigas, the prime mover of our hotels is really our staff"

He also shares the different amenities and services that Discovery Shores Boracay offers:

"When we opened our property in Boracay, our main market segment is family. I think we did it right because right now it's what you call the small-type generation of family travelers. We've highlighted families and we acknowledge the fact that we should be family-friendly in terms of kids. We've also focus in the market of honeymoon which is a big market in Asia. Philippines is near Korea, Taiwan, Hong Kong. We've cut through that market as well. We've added the spa to compliment the facility of the rooms. It's not fine dining because the restaurant is al fresco on the beach. It's in the middle of the property which serves in daytime at the beachfront, in the afternoon as a cocktail area but in the evening, it serves another set of cuisine. We have an all-day dining which is called Sands. We also have a bar and a lounge, not just for in-house guest but for other guests of Boracay. Where we are located is a long 3.2-km stretch of white sand beach. Unlike in Palawan which is mostly composed of islands, if you have a hotel in an island, you just stay there. But in

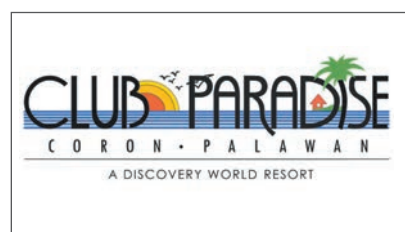


Jose Parreño, COO of Discovery Group

Boracay, there's about 200-300 establishments in the main island. It's like Bali."

Mr. Parreño continues to share about their ongoing projects and future plans of extending their expertise to new tourist destination in the country:

"Right now, we have a property in Coron, The Club Paradise. It is a 20-year old property owned by another company before. We bought it in 2013 and in 2016, we are going to fully renovate the whole island. Club Paradise is totally different from Boracay. It's a beautiful island meant for total relaxation. It's a haven away from technology. It's a different feel but the beach is beautiful. It's a totally different scenario there than in Boracay. We are also in the stage of developing another resort in another part of Palawan which is in El Nido. It's a 7-hectare property. The Master Plan is also starting next year. We also have another beautiful property in Palawan in San Vicente. But there's no airport yet. Once the airport is open and the roads are ready, you will love San Vicente."



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For those adventure seekers, the Siargao Island has risen in popularity to be a world-class surfing destination. Siargao Bleu Resort and Spa, had been an accommodating host to this thrill-seekers by providing them with numerous outdoor activities, such as island-hopping, kite-surfing, diving and access to the island's main surfing attraction, Cloud 9. Yet after the day, the guest can still enjoy the comfort of that resort through their world class amenities.



Agnes Tuason, General Manager of Hertz Philippines,

The country is also gaining popularity as a good place for investment and business. And the metropolitan offers a different kind of experience for those who are in for business trips. World-class hotels and casinos have been sprawling through the cities, restaurants and historical sites are waiting to share the country's rich culture and heritage. Though public transport can be a challenge for most guests, Hertz Philippines has seen this opportunity and offers the safest way to get around this bustling metropolis. Ms. Agnes Tuason, Managing Director of Hertz Philippines tells us more about their company and their advantage.

"Hertz is the number 1 car rental company in the world. We are the main competitor of Avis but Hertz still leads ahead when it comes to car rental industry. The Limaoco actually acquired the license franchise from Hertz Singapore in 2006. They are the 4th owner of the franchise in the Philippines. But it was already here in the early 1990s. Hertz is very famous for cars with chauffeur drive. Everybody, even in the states, wants chauffeur-driven cars in going around, getting rid of the hustles while doing what you're rushing for at the back of the car while your driver takes care of you."

I guess this is what separates us from the other car company because we have professional drivers. With the kind of traffic that you will go through, you would prefer to be driven around by a professional chauffeur. I could say that in the next 5 years, Hertz will be bigger than where it is now because when I came in, there were only a few corporate accounts who has expats as member of the boards used to renting cars while back home or abroad. But now, our corporate accounts that we have are growing."

Lastly, she shares the commitment of Hertz Philippines in promoting tourism in the country:

"We got a tagline for our tourism promotion which is "It's More Fun in the Philippines."

It is because there's a lot to see in the Philippines. Being us part of the travel industry, we have to say, most of the people coming here would always have a chance to experience what Hertz is all about because they'll be met at the airport and then, driven to another location. But outside of Metro Manila, there's a lot to see about the Philippines."

This is a small country but we probably have 2 of the biggest malls in the world. We got Mall of Asia and Megamall with SM North Edsa and Trinoma also there. We have several concert venues. There's Boracay and Palawan. We also have the Chocolate Hills in Bohol. These are just some of the sites that you need to see to find out why it is more fun in the Philippines. And also I guess, we Filipinos are warm and welcoming people. We make sure that your stay is worth remembering. So even if it's just a simple car, Hertz is committed to give you more fun while here in the Philippines."

ROBUST ECONOMIC GROWTH



Fernando Peñarroyo, Partner of Puno & Peñarroyo



International metrics highlight the marginal improvement in the investment climate under Aquino with increased Philippine rankings in competitiveness and ease of doing business in the global economic surveys. In 2013 and 2014, international credit rating agencies, including Moody's, Standard & Poor's and Fitch, raised the country's investment grade.

The Philippines is one of the largest markets in Southeast Asia. The population of 101 million people includes a labour force with a sizeable youth demographic (45 percent labour force participation rate of workers between ages 15-24), and women (50 percent labour force participation rate of women). A largely English-speaking population further eases international business communication in the country.

Puno & Peñarroyo Law Firm is one of the most well-known and prestigious law firms in the country. Being a boutique law firm they offer their knowledge of the law and legal services to different sectors in commercial, government procurement, infrastructure developments, and international commercial transactions. Attorney Peñarroyo, one of the founders of the Law firm, shares with us his vision of the country and of the last 5 years under Aquino's Administration:

"I think in the last 5 year, there is a considerable confidence with the government. I think that the message the President made to investors is that they are trying to put up a more transparent government. Right now, the demographics of the country is that we have a lot of young people. We have a strong domestic market. We're not reliant on our export market compared to other countries. Other countries were extremely affected by financial crisis in China. Fortunately for us, we don't have an economy that is dependent on export. Our economy is largely fueled by OFWs and by Business Process Outsourcing. These created a domestic market that will continue to grow despite some economic problems in other countries. We have a growing economy of about 6-7% for the last 2 years. That would require a lot energy and a lot of power. We are currently facing some "shortage of power"

Because we have a lot of foreign investments coming in building up factories and facilities here. Right now, electricity prices in the Philippines is kind of high because of its actual price of generation. The government does not give any subsidies to electricity. The government is trying to attract investors to put up power plants particularly in the renewable sources energy industry because we have a new Renewable Energy Law requiring companies to source a particular source of their energy requirements from renewable energy

Top destination for IT-BPO firms

The large supply of college educated, English-speaking labor force, the excellent infrastructure, cost competitiveness, and adequate government support for the industry has been some of the main factors behind the fact that establishes The Philippines ahead of India as the second largest outsourcing destination in the world.

This sector is getting to a point which will in 2016 overtake dollar remittances from overseas Filipinos in terms of revenues. The BPO sector is projected to employ some 1.3 million Filipinos and generate up to US \$27 million in annual revenues by 2016.

The rapid growth in the BPO industry should also be attributed to government regulations and incentives of doing business in the country. The legal regulatory framework and financial reporting guidelines of the Philippines are based on the American systems, reflecting the links between the US and the Philippines. Additionally, the 1995 introduction of Special Economic Zone eased restrictions by lowering area requirements for developers and offering tax incentives.

Despite all these advantages the country has its challenges too. The experienced lawyer Peñarroyo share with us his opinion regarding them: "First and foremost issue in doing business in the Philippines is the ease in doing actual business. Companies find it hard to explore the intricacies of getting all the government approval. That's where our law firm comes in to help them talk to the right people, talk to the right Filipino partner. We are doing this kind of due diligence for them and refer them to the proper government agency and officials who could make it easier for them."



Joseph Estrada - Former President of Philippines and Manila Mayor

INTERVIEW WITH MAYOR ESTRADA

adjudged the number 1 city in infrastructure among the country's highly urbanized cities. Manila is now a better place to do business and a better place for people to live in. We have beat out much larger, and much wealthier cities. The city must be able to provide the best in education, health care, infrastructure, accessibility, as well as cultural and entertainment values.

What are the remaining challenges today in Manila?

The problem of poverty, unemployment and squatters remain. Our University of the Philippines professors studied and concluded that Manila has the highest number of poverty incidence, with the highest number of unemployed people. You know people in the provinces come to Manila thinking this place is a heaven. More or less, when they come here, they don't have a place to go. You can find people sleeping on the sidewalk. That's the problem now and you know, our population used to be small from 18 million now we have 100 million. That's the problem we're having now.

There are many improvements to be made still. Aside from peace and order, there's also graft and corruption that happened here. I inherited a bankruptcy and I paid all our debts.

Q: What do you say are your main strategies or focus to tackle the challenges?

Mayor E: Well my focus is to make the city business-friendly. There is complete peace and order and also, infrastructure. And the rest will follow.

Q: What kind of Public-Private Partnerships are you open to?

Mayor E: Well, I have so many PPPs and joint ventures with the private sector, like for example our markets. We have a joint venture for all our markets.

What markets? Might consider removing this question.

Q: How open are you to partnerships with foreign companies?

Mayor E: Why not? They are welcome. Our transport system is currently partnered with Japan. The traffic is terrible.

Q: What can you say about the health care here in Manila?

Mayor E: We have 6 hospitals now complete with equipment and medicines all free for residents of Manila. Let's say for example, we have elementary schools, we have about 42,000 students in Manila. About 30% of them go to school without eating breakfast so we started this feeding program where 7500 children are being fed before they enter the school.

Q: How do you see the Muslim insurrection today?

Mayor E: The government has to solve this problem. In Luzon and Visayas, we have insurgency. In Mindanao we have this Secessionist Movement. When I was President, it cost me my Presidency. Because when I became President,

ideally, the peace talk we gave them ultimatum of minimum of 3 months maximum of 6 months and that's it. So when they refused, I declared an all-out war. That has cost my Presidency. I finished all the Secessionist Movement in the south but, that cost my Presidency.

I was removed unconstitutionally. And the insurgency is back. The incumbent President on the peace talks. They're just starting the peace talk. They massacred 44 of our soldiers. So it's the same thing all over again. I've been a Mayor, Senator, Vice President and President. As far as I'm concerned, that can never be, come to that peace and order. Sad to say, we don't have it yet.

Q: Human settlement is your main focus. What are your main plans for poverty here in Manila?

Mayor E: I am here to serve the poor. I am always here to serve for the greater good of the greatest number. The greatest number are the poor people. The study of the UP professors, Manila has the highest number of jobless people and poverty incidence. That's why I am very busy on how I can uplift the plight of this poor people. I'll make sure that we have peace and order here so that we can attract more investors and tourist to Manila. During the time of my predecessor, there was an unfortunate incident, the Hong Kong Massacre, where a Hong Kong tourist was massacred.

Hong Kong asked the Mayor and the President to apologize but they don't like to apologize. So Hong Kong made a sanction that all government officials should get a Visa before going to Hong Kong and all our OFWs a little about 160,000 were asked to extend their working visa.

During my watch, I wrote to Hong Kong to personally apologize for that incident. Fortunately, they accepted my apology. Right now, we have just recovered. I can tell you, I am a very straightforward man. I cannot lie to you. I'll tell you the real situation of our city.

The media is fast. Anything that happens in the Philippines, let's say in Mindanao, if somebody was kidnapped, the news spreads fast so tourist bypass us and also, legitimate investors. The media is very fast and news get to all over the world. We created projects where tourists should be properly secured.

Not sure if these paragraphs about Hong Kong are necessary?

Q: The Manila tourism and cultural affairs bureau purpose is to instill national and local pride by promoting manila as the gateway to the philippines and be the role model for the young citizen; enhance the knowledge and appreciation of the city's cultural tourism through exhibitions. How have you enhanced tourism in the city in the last 2 years and what are your main achievements in this area?

Mayor E: Number 1 is peace and order and then, infrastructure. Everything will follow. I'll make my city more business friendly. If you want to invest here, I'll serve them and they would be truly secured. I want to bring back the joy of Manila. It used to be the Pearl of the Orient. Dan Brown, the writer, said Manila

is the "gates of hell." As long as there is no peace and order, there is no economic growth. We were number 2 to Japan in terms of economic growth in 1950s. We were richer than Hong Kong, than South Korea, Malaysia, Singapore and Thailand. But now even Vietnam overtook us. Sad to say, that is true. For my first 2 years as Mayor, I focused on raising enough money to pay our debts because we cannot introduce new projects if there are no funding. On my second term, I will implement the projects and infrastructures that we planned.

Q: You are the 13th President of the Philippines and the 3rd President of the 5th Republic of the Philippines. You were the Chairman of the Presidential Anti-Crime Commission during the Presidency of Fidel V. Ramos. You have been Senator of the Philippines, 1987- 1992, and Mayor of San Juan, Metro Manila 1969-1986. Could you tell us a bit more of your personal and professional background?

Mayor E: I was an ex-actor, ex-Mayor of San Juan, ex-Senator, ex-Vice president, ex-President and ex-convict. When I was ceremoniously and unconstitutionally removed, I was incarcerated. I guess, here and there, I am proud to be an ex-convict. I'm in a good crowd. For example, President Mandela is an ex-convict. We are all ex-convict because we are men of conviction.

Q: Why did you choose Manila and not other cities of Metro Manila?

Mayor E: In the first place I was born here in Manila. I owe Manila so much. Manila is the only city called the Pearl of the Orient. For centuries, the Chinese were the first to come here as sailors and Spanish came to invade the Philippines. After the Spain, American came. They also colonized the Philippines. The older people speak fluent Spanish. The generation now speaks fluent English. That's the story of the Philippines.

Manila has a historical value. It has a historical background.

Q: What do you think is the major contribution that you have done to the Philippines? What would you say is your legacy?

Mayor E: I cannot say anything yet. Let them talk about it. Even the church and the late Cory Aquino, they have apologized to me. They have conspired to remove me.

Q: What is your final message to our readers especially in the US on West California?

Mayor E: All I can say is that as a Mayor this is my last hurrah. We will bring back the old glory of Manila as the Pearl of the Orient. That is my dream that's why I am running for reelection.

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