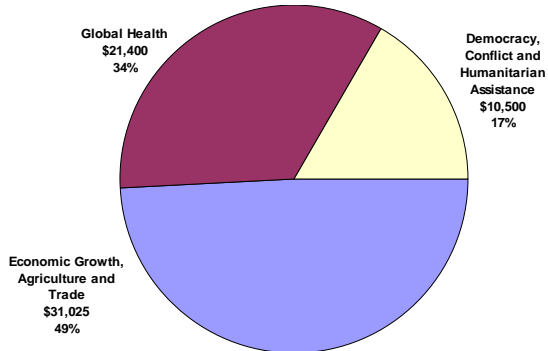
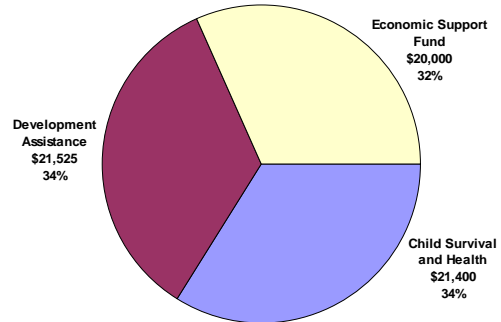


Philippines

FY 2006 Assistance by Sector



FY 2006 Assistance by Account



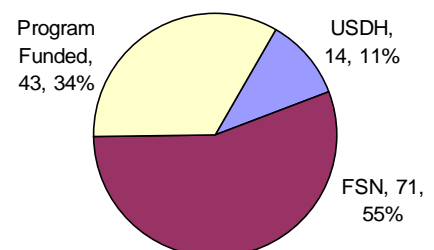
Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Governance	492-002	12,143	16,000	15,000
Family Planning and Health	492-003	28,850	26,800	21,400
Environment and Energy	492-004	10,060	13,396	9,396
Conflict Resolution in Mindanao	492-010	13,010		
Education	492-011	4,000	9,680	6,680
Conflict Resolution in Mindanao and Other Areas	492-012		23,220	10,449
Total (in thousands of dollars)		68,063	89,096	62,925

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,616	3,227	3,524
USDH Salaries & Benefits	2,171	2,074	2,119
Program Funds	3,833	3,745	3,825
Total (in thousands of dollars)	9,620	9,046	9,468

FY 2006 Workforce



Mission Director: Michael Yates

Philippines

The Development Challenge: The Philippines has long been a close strategic ally of the United States and USAID's development assistance program is making important contributions to fighting terrorism and supporting national social and economic development. However, the Philippines continues to be held back by internal conflict and violence, especially with separatist rebels in Mindanao and the communist New People's Army throughout the country. Given the strategic location of the Philippines and clear regional links among terrorist organizations such as the Jemaah Islamiyah, developments in the Philippines have a demonstrable impact on regional stability. The sizeable Muslim population in Mindanao is marginalized economically and lacks adequate access to basic social services. Development needs are greatest in conflict-affected areas, particularly the Autonomous Region in Muslim Mindanao (ARMM). The ARMM has the country's highest poverty rates with an average per capita income of less than \$1 per day and disturbingly low human development indicators. Often the only alternative for poor Muslim families seeking to educate their children in the hundreds of communities in the ARMM region, where no public school is available, is to send them to local Islamic schools (madari), many of which provide only religious education and are not accredited.

The Philippines clearly faces serious development challenges. It remains East Asia's economic growth laggard and is falling further behind its neighbors in key areas. The country's rapid population growth, which at 2.36% is the fastest in East Asia, has diluted the impact of what economic growth has taken place and severely strains access to basic social services, from energy and sanitation to education. Poverty afflicts 34% of the population, the largest incidence in Southeast Asia. The country's natural resources are being severely depleted through population pressures, over-exploitation, and pollution, damaging globally-significant biodiversity. Corruption and ineffective institutions result in weak regulatory oversight, inhibit the development of competitive markets, and deter badly needed foreign investment. This, in turn, severely limits the government's ability to raise revenue and make needed investments in infrastructure, health, and education. Indeed, the Government of the Philippines (GRP) has suffered a fiscal decline that led in 2002 to a record high deficit of 5.3% of gross domestic product (GDP). The deficit to GDP ratio was 4.6% in 2003 and dropped to 3.6% in the first six months of 2004, but still remains dangerously high. Weak leadership (despite democratic institutions), powerful vested interests, and ongoing conflict feed the cycle of poor economic performance by discouraging private investors and tourism and draining public coffers. External debt is another major obstacle to development, reaching \$57 billion or 70% of GDP in March 2004, with debt servicing absorbing 15% of export revenue.

Nevertheless, the Philippines can accelerate its economic and social development as well as the ongoing peace process with the Mindanao-based Moro Islamic Liberation Front (MILF). Philippine democratic institutions have proved resilient, and the Philippines has maintained its market-based economy. Under the administration of President Arroyo, who was re-elected for a six-year term beginning in July 2004, some significant results have been achieved on various fronts. Macroeconomic performance has been respectable, with annual GDP growth estimated at 4% or higher in the past several years, and the rate of inflation has remained in the single digits. In FY 2004, the GRP managed to increase revenue collection from taxes and customs duties. This resulted in improvement in domestic tax collection to 13% of GDP for the first nine months of 2004, up from 12% in 2003. This accomplishment reflects spending restraint and, most importantly, more vigorous and successful efforts by the tax collection agencies to improve administration and enforcement. There are now a number of high-level champions in the battle against corruption (including some key figures with constitutionally-protected positions), as reflected in the increasing prominence of lifestyle checks on government officials and some ongoing prosecution of senior officials, including one military general. Efforts to improve transparency and effectiveness of government bureaucracies are beginning to bear fruit. The GRP is intensifying efforts to negotiate a lasting peace with the MILF and international monitoring teams are now on the ground. With USAID assistance, more than 24,000 former combatants from the Moro National Liberation Front (MNLF) have been successfully reintegrated into the productive economy. Their success is demonstrating the tangible benefits of peace, and in the event of a peace settlement with the MILF, USAID stands ready to provide similar assistance quickly to MILF ex-combatants who agree to forswear the use of violence and pursue peace.

The USAID Program: The Program Data Sheets provided below cover the five objectives for which USAID is requesting FY 2005 and FY 2006 funds. These five objectives concentrate on reducing conflict in Mindanao and other areas vulnerable to violence; fighting corruption and supporting improved performance of selected government institutions; promoting health and well-being of Filipinos through support for improved and decentralized service delivery, increased private sector involvement, social acceptance of family planning, and policy reform; strengthening management and governance of life-sustaining natural resources, better urban environment management, and reliable and cleaner energy; and increasing access to quality education and livelihood skills in the conflict affected areas of Mindanao and supporting broader education sector policy reform. Assistance to the conflict-affected areas of Mindanao addresses the kinds of conditions that terrorist groups can exploit and crosscuts the portfolio. The specific activities to be funded by FY 2005 and FY 2006 appropriations are described in more detail in the following Program Data Sheets.

Other Program Elements: In addition to the resources requested in the Program Data Sheets, USAID is helping administer programs funded by USAID regional and central programs such as the anti-trafficking in persons program funded by USAID's Women in Development Office and the U.S. Department of State's East Asia and Pacific Affairs Bureau; the World Council of Credit Unions' credit union development program; a wheelchair program under the War Victims Fund; several central USAID Global Development Alliances such as the Sustainable Coastal Tourism in Asia, solar energy for renewable development, and a public-private alliance with the Knowledge Channel; the U.S. Asia Environmental Partnership program; a disaster assistance program funded by USAID's Office of Foreign Disaster Assistance; and USAID's Collaborative Research Support Program for integrated pest management.

Other Donors: There is good coordination among bilateral and multilateral donors and general consensus on the priority development challenges. Overall, total development assistance to the Philippines over the last several years has averaged \$1.5 billion a year, or less than 2.5% of GDP. The largest donor is the Japan Bank for International Cooperation (JBIC), followed by the Asian Development Bank (ADB), and the World Bank, all of which primarily provide loans for infrastructure or sector policy programs. USAID is the largest donor of grant assistance. USAID collaborates with the ADB and the World Bank on sectoral policy reform in energy, basic grains, bank and non-bank financial regulation, and expenditure management. The overall U.S. Mission maintains an active dialogue with the International Monetary Fund, which has a small but influential technical assistance program that includes tax administration. The United Nations Development Program helps coordinate donor activities in Mindanao, and USAID communicates regularly and looks for opportunities to coordinate with JBIC and the Japan International Cooperative Agency. For example, USAID is currently discussing with them collaboration on renewable energy and urban water financing. Assistance from Australia and Canada includes an emphasis on Mindanao, corruption, and governance that complements USAID's programs. Several donors have education initiatives and have formed a working group on education. Other bilateral donors include the European Commission and other European Union members who emphasize direct assistance to small enterprises and small farmers.

Philippines PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Child Survival and Health Programs Fund	22,927	28,850	26,800	21,400
Development Assistance	28,209	21,568	27,576	21,525
Economic Support Fund	15,000	17,645	34,720	20,000
ESF - Wartime Supplemental	30,000	0	0	0
Total Program Funds	96,136	68,063	89,096	62,925

STRATEGIC OBJECTIVE SUMMARY

492-002 Economic Governance				
DA	7,792	7,918	11,000	11,000
ESF	2,500	4,225	5,000	4,000
492-003 Family Planning and Health				
CSH	22,927	28,850	26,800	21,400
492-004 Environment and Energy				
DA	13,667	10,060	8,076	6,076
ESF	0	0	5,320	3,320
492-010 Conflict Resolution in Mindanao				
DA	6,750	590	0	0
ESF	12,500	12,420	0	0
ESF - Wartime Supplemental	30,000	0	0	0
492-011 Education				
DA	0	3,000	5,000	2,000
ESF	0	1,000	4,680	4,680
492-012 Conflict Resolution in Mindanao and Other Areas				
DA	0	0	3,500	2,449
ESF	0	0	19,720	8,000

Mission Director,
Michael Yates

Data Sheet

USAID Mission:	Philippines
Program Title:	Economic Governance
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	492-002
Status:	Continuing
Planned FY 2005 Obligation:	\$11,000,000 DA; \$5,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$11,000,000 DA; \$4,000,000 ESF
Year of Initial Obligation:	1995
Estimated Year of Final Obligation:	2009

Summary: USAID's economic governance objective focuses on issues that cause sluggish economic growth: conflict and corruption. To address the unsustainable fiscal deficit, in FY 2005, special attention is being given to revenue enhancement. Increasing funding above levels previously notified will enable the U.S. Government (USG) to help the new government address corruption and implement legislative reforms. Improved economic governance contributes to the investment and job growth needed to reduce poverty and to create an economic environment conducive to conflict reduction in Mindanao. The objective furthers U.S. interests in combating terrorism and promoting stability in Asia and enhances trade and investment opportunities.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Economic Policy and Governance (\$3,000,000 DA; \$1,000,000 ESF). USAID will implement an integrated economic growth and democratic governance program of technical assistance, training, civil society building, and legislative support. USAID's program seeks to build local ownership for policy reform through collecting, analyzing, and disseminating information; providing assistance with policy formulation; helping new civil society organizations develop sectoral expertise; strengthening government institutions responsible for implementing or enforcing reform; and strengthening legal-judicial systems. USAID will continue to help strengthen governance in key government agencies, specifically in the areas of tax administration and transport and telecommunications regulatory improvement. The principal contractor is Carana Corporation/Nathan Associates (CC/NA). Principal grantees are Ateneo de Manila University, De La Salle Angelo King Institute, The Asia Foundation (TAF), and various local partners.

Increase Participation in Global Trade and Investment (\$2,000,000 DA; \$250,000 ESF). The program will support government efforts to reduce impediments to trade, develop a more stable policy framework for intellectual property rights (IPR) protection, and promote greater competition and private sector involvement and investment in telecommunications, Information Communication Technology (ICT), and transportation. The principal contractor is CC/NA. Principal grantees include Ateneo and De La Salle.

Strengthen Financial Sector's Contribution to Economic Growth (\$500,000 DA; \$500,000 ESF). The program will continue policy support for financial sector development, including creating an enabling environment for microfinance. Principal partners are CC/NA, Ateneo, the World Council of Credit Unions, Development Alternatives Inc., and Chemonics International.

Promote and Support Anti-Corruption Reforms (\$3,000,000 DA; \$3,250,000 ESF). The program provides assistance to the Office of the Ombudsman, Anti-Money Laundering Council, Civil Service Commission, Commission on Audit, and other organizations to increase prosecutions and reduce opportunities for corruption. USAID will promote transparency and honest governance, increase participation in decision making in Mindanao local government units (LGUs), and support anticorruption activities, including work with media and the business community. The principal contractor is Management Systems International (MSI). The principal grantee is TAF.

Improve Justice Sector/Legal Framework (\$1,500,000 DA). To support the Philippine Supreme Court's

reform and modernization plan, USAID will expand successful interventions, such as promoting alternative dispute resolution and computerizing case flow management, to reduce case backlog and increase access to justice. The principal contractor is MSI. Principal grantees include TAF, the American Bar Association, and the Gerry Roxas Foundation.

Promote and Support Free and Fair Elections (\$500,000 DA). The program will provide assistance to the Commission on Elections in reforming the management and administration of Philippine elections. The principal contractor is the International Foundation for Election Systems.

Reduce Trafficking in Persons (\$500,000 DA). The program will support activities that increase the effective prosecution of traffickers, protect victims, and prevent trafficking of vulnerable persons.

FY 2006 Program: Improve Economic Policy and Governance (\$3,500,000 DA; \$1,000,000 ESF). The program will continue support for strengthening economic governance in key government agencies with a focus on tax administration and corruption. Same implementers as above.

Increase Participation in Global Trade and Investment (\$2,000,000 DA; \$250,000 ESF). The program will continue support for trade facilitation and liberalization; IPR enforcement; continue helping promote competition and private sector involvement in telecommunications, ICT, and transportation; and may expand assistance for infrastructure procurement, regulation, and privatization. Same implementers as above.

Strengthen Financial Sector's Contribution to Economic Growth (\$500,000 DA; \$500,000 ESF). USAID will continue support for improving regulation of financial markets, particularly for microfinance. Same implementers as above.

Promote and Support Anti-Corruption Reforms (\$3,000,000 DA; \$2,250,000 ESF). USAID will expand support for the GRP's anti-corruption initiatives, including agency audits, disclosure of assets for lifestyle checks, and increasing transparency in government systems. Same implementers as above.

Improve Justice Sector/Legal Framework (\$1,500,000 DA). The program will expand assistance for justice sector reforms through technical assistance to improve the efficiency and quality of court decisions. Same implementers as above.

Promote and Support Free and Fair Elections (\$500,000 DA). USAID will expand assistance for electoral reforms, specifically voter education and the automation of voter registration and ballot counting. Same implementers as above.

Performance and Results: USAID assistance in economic policy, trade and investment supported: (a) passage of the Optical Media Law, which provides a stronger legal framework for IPR protection; (b) an improved customs processing program and a management information system for enforcement of the Intellectual Property Code; (c) improved capacity of the Securities and Exchange Commission to systematize market surveillance; (d) integration of microfinance best practices into law and regulation; (e) promotion of more efficient inter-island transport systems to benefit small farmers in Mindanao; and (f) increased capacity of the Department of Agriculture to regulate biotechnology. USAID helped reduce conflict and increase access to justice for the disadvantaged, especially women, and reduce caseloads by (a) training of over 600 mediators in municipal courts and of 1,545 volunteer community mediators from 309 villages in the Autonomous Region of Muslim Mindanao; (b) supporting Supreme Court reform; and (c) helping the Integrated Bar of the Philippines win release of 400 detainees who had completed their required time in jail. USAID supported reforms of the Bar Examination and Judge to Judge Dialogues that allowed 135 Filipino judges from the country to exchange views with judges and legal scholars from the United States, Thailand and Australia. USAID support for the GRP's anti-corruption efforts resulted in: (a) improved anti-corruption effectiveness of the Revenue Integrity Protection Service; (b) improved corruption investigation at the Office of the Ombudsman; (c) identification of integrity problems and reform measures at the Office of the Ombudsman and the Department of Education; and (d) a much faster, transparent and customer friendly business permit renewal process in seven Mindanao cities.

US Financing in Thousands of Dollars

Philippines

492-002 Economic Governance	DA	DCA	ESF	MAI
Through September 30, 2003				
Obligations	32,236	1,001	16,241	60,244
Expenditures	22,252	500	9,774	60,244
Unliquidated	9,984	501	6,467	0
Fiscal Year 2004				
Obligations	7,918	0	5,075	0
Expenditures	3,598	-7	6,171	0
Through September 30, 2004				
Obligations	40,154	1,001	21,316	60,244
Expenditures	25,850	493	15,945	60,244
Unliquidated	14,304	508	5,371	0
Prior Year Unobligated Funds				
Obligations	0	0	0	0
Planned Fiscal Year 2005 NOA				
Obligations	11,000	0	5,000	0
Total Planned Fiscal Year 2005				
Obligations	11,000	0	5,000	0
Proposed Fiscal Year 2006 NOA				
Obligations	11,000	0	4,000	0
Future Obligations	33,030	0	16,745	0
Est. Total Cost	95,184	1,001	47,061	60,244

Data Sheet

USAID Mission:	Philippines
Program Title:	Family Planning and Health
Pillar:	Global Health
Strategic Objective:	492-003
Status:	Continuing
Planned FY 2005 Obligation:	\$26,800,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$21,400,000 CSH
Year of Initial Obligation:	1994
Estimated Year of Final Obligation:	2009

Summary: USAID's family planning and health objective aims to improve health and nutritional status, particularly of women and children, and help Filipino parents achieve their desired family size. Activities will fund technical assistance to improve the capacity of local government units (LGUs) to deliver family planning services, expand tuberculosis (TB) diagnosis and treatment, and improve other vital health services, particularly for the poor. This will be done by mobilizing business support and involvement in TB prevention and treatment, food fortification, and family planning, including encouraging the commercial sector to significantly increase its share of the overall contraceptive market. To increase the social acceptability of family planning in the Philippines, the program will mobilize "champions" who will inform the public about the value of family planning and conduct communication campaigns that will promote the use of modern contraceptives. The program also has specialized activities to improve the dramatically poor health indicators in the conflict-affected areas of Mindanao and other marginalized areas of the country.

Inputs, Outputs, Activities:

FY 2005 Program: Reduce Unintended Pregnancy and Improve Healthy Reproductive Behavior (\$15,500,000 CSH). USAID will provide technical assistance and training to local government health practitioners and service providers in as many as 537 cities and municipalities. USAID will assist nationally recognized businesses and private sector organizations to advocate for improved policies for private sector provision of contraceptives. USAID will also work with private providers and pharmaceutical organizations to increase the availability of affordable commercial family planning commodities. USAID will continue to use the Development Credit Authority credit guarantee mechanism to improve and/or expand existing midwife clinics and facilitate the generation of commercial financing for the establishment of new midwife clinics. USAID will conduct multi-media communication campaigns to promote the use of modern contraceptives; develop and train family planning champions and networks for family planning communications; work with medical, nursing, midwifery, and pharmacy school associations to enhance the teaching of voluntary family planning concepts; and engage with the various board examiners to promote the inclusion of family planning questions in the licensure examinations. Principal contractors and grantees include Management Sciences for Health (MSH), Chemonics International, and the Academy for Educational Development.

Improve Child Survival, Health and Nutrition (\$3,220,000 CSH). USAID will implement Vitamin A supplementation activities and immunization campaigns in the conflict-affected areas of Mindanao. The principal grantee is Helen Keller International. In addition, USAID will provide technical assistance to increase the number of micronutrient fortified foods and their consumption.

Prevent and Control Infectious Diseases of Major Importance (\$3,415,000 CSH). To increase the availability of TB diagnosis and treatment by the public sector, USAID will provide technical assistance and training to local government health practitioners and service providers in as many as 537 cities and municipalities. USAID will also provide technical assistance and information to private providers to improve diagnosis and treatment of TB. Principal contractors are MSH and Chemonics International.

Reduce Transmission and Impact of HIV/AIDS (\$1,080,000 CSH). USAID will enhance behavior change

efforts focused on the groups most at risk for HIV/AIDS and continue to provide technical assistance to maintain the world class surveillance system established under the program. The principal contractor is MSH.

Build Health Systems Capacity (\$3,585,000 CSH). USAID will continue to provide technical assistance to help implement the National Health Insurance Program's new and improved benefit package developed in FY 2003. The package now includes family planning and TB treatment as a health insurance benefit; revision of national policies to allow greater access to family planning, particularly for the poor; and educating insurance plan holders on new and underutilized benefits related to family planning. USAID will assist local groups to support changes in government policies that promote self reliance in contraceptives. The principal contractor is MSH.

All family planning assistance agreements will incorporate clauses that implement the President's directive restoring the Mexico City Policy.

FY 2006 Program: Reduce Unintended Pregnancy and Improve Health Reproductive Behavior (\$11,265,000 CSH). USAID will expand program activities to include an additional 215 LGUs nationwide and will continue to improve the policy environment for the provision of family planning and health services. USAID will increase marketing efforts and technical assistance to help the private sector increase its sales of contraceptives and support the nationwide expansion of an accreditation service for private providers of contraceptives that will build consumer confidence in these services and keep them competitive. USAID will continue to support communications activities, including national and local campaigns, and will identify and promote additional family planning champions. Implementers are the same as above.

Improve Child Survival, Health, and Nutrition (\$3,420,000 CSH). USAID will provide technical assistance to further increase the number of micronutrient fortified foods and their consumption as well as to ensure enforcement of the law on food fortification. Implementers are the same as above

Prevent and Control Infectious Diseases of Major Importance (\$2,575,000 CSH). USAID will increase technical assistance to help the private sector expand TB services to 25 cities. Implementers are the same as above. Implementers are the same as above.

Reduce Transmission and Impact of HIV/AIDS (\$1,565,000 CSH). USAID will facilitate planning for LGUs to support HIV/AIDS prevention education and other services using local funds. USAID will help strengthen NGO capacity to reduce the threat of HIV/AIDS among at-risk groups and support policy, financing, and delivery of prevention activities. Implementers are the same as above.

Build Health Systems Capacity (\$2,575,000 CSH). USAID will continue to provide technical assistance to expand implementation of the improved benefits package under the National Health Insurance Program to cover additional LGUs and beneficiaries. USAID will continue to assist local groups to support changes in government policies that promote self-reliance in contraceptives. Implementers are the same as above.

Performance and Results: Program outputs are on track and are contributing to expected outcomes. Significant milestones have been achieved in public and private sector delivery of family planning and TB services. There is increased awareness and acceptance of family planning and an intensified popular debate on the virtues of a strong population management program, which is championed by the business community, academics, and politicians. According to the 2003 National Demographic and Health Survey, the contraceptive prevalence rate has increased by 1.5% (from 33.4% to 34.9%) in the past year. Maternal health and child survival program activities have contributed to the significant reduction in under-five mortality, and the government has pledged to ensure the enforcement of the law on food fortification. Efforts to move the country towards contraceptive self-reliance are well in place and health systems and health outcomes are improving in the conflict-affected areas of Mindanao.

US Financing in Thousands of Dollars

Philippines

492-003 Family Planning and Health	CSH	DA	DCA	ESF	MAI
Through September 30, 2003					
Obligations	52,281	155,602	7	4,000	1,800
Expenditures	19,923	150,929	0	1,187	1,581
Unliquidated	32,358	4,673	7	2,813	219
Fiscal Year 2004					
Obligations	28,850	0	0	0	0
Expenditures	14,550	3,100	0	2,227	117
Through September 30, 2004					
Obligations	81,131	155,602	7	4,000	1,800
Expenditures	34,473	154,029	0	3,414	1,698
Unliquidated	46,658	1,573	7	586	102
Prior Year Unobligated Funds					
Obligations	0	0	0	0	0
Planned Fiscal Year 2005 NOA					
Obligations	26,800	0	0	0	0
Total Planned Fiscal Year 2005					
Obligations	26,800	0	0	0	0
Proposed Fiscal Year 2006 NOA					
Obligations	21,400	0	0	0	0
Future Obligations	75,000	0	0	0	0
Est. Total Cost	204,331	155,602	7	4,000	1,800

Data Sheet

USAID Mission:	Philippines
Program Title:	Environment and Energy
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	492-004
Status:	Continuing
Planned FY 2005 Obligation:	\$8,076,000 DA; \$5,320,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$6,076,000 DA; \$3,320,000 ESF
Year of Initial Obligation:	1995
Estimated Year of Final Obligation:	2009

Summary: USAID's environment and energy objective is aimed at strengthening local management of key natural resources, with a geographic focus on Mindanao and other conflict-affected areas, as well as on high-biodiversity sites. It will fund activities to build capacities to address declining natural resource productivity due to over-exploitation and poor governance of forest, coastal and fishery resources; promote access to sufficient, clean and affordable energy; provide renewable energy to remote communities; reduce, prevent, and mitigate pollution from vehicle emissions, solid wastes and waste water; and expand access to clean water.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$2,576,000 DA; \$2,820,000 ESF). To promote good environmental governance at both national and local levels, USAID will support to at least 80 local governments, communities, and other stakeholders to implement forest and coastal resource use plans through training for local governments and communities, sharing of best practices, promotion of private-public partnerships, and sustainable livelihood approaches. USAID will continue to support the Philippine Tropical Forest Conservation Foundation in promoting forest conservation activities of local organizations. USAID will establish baseline data and indicators for monitoring fish stocks in four economically significant marine ecosystem areas (to develop improved management practices that can be widely applied) and continue assistance to protect and monitor existing (and establish new) marine sanctuaries in important coastal areas. USAID will also support the implementation of an environmental governance index to promote improved governance of natural resources. Implementing partners include Development Alternatives, Inc. (DAI), Tetra-Tech, Agriculture Cooperation Development International/Volunteers in Overseas Cooperative Assistance, World Wide Fund for Nature, and the U.S. Department of the Interior.

Expand and Improve Access to Economic and Social Infrastructure - Energy (\$1,500,000 DA; \$2,500,000 ESF). USAID will electrify 1,500 additional households in remote communities in conflict-affected areas with renewable energy systems, including solar and micro-hydro. Support for the energy sector reform process will be intensified, with focus on organizational development and capacity building of key energy institutions, improving governance through new and/or improved policy frameworks, and enhancing public understanding of sector reforms. USAID will support needed reform of energy sector regulation, competitive markets, and privatization of state-owned assets. Activities will also support development of alternative, indigenous, and clean fuels, as well as renewable energy sources as part of the country's energy security strategy. Implementing partners include PA Consulting, Winrock, and the U.S. Department of Energy.

Reduce, Prevent and Mitigate Pollution (\$2,000,000 DA). USAID will continue to support activities leading to cleaner air, including a vehicle emission testing system and training on preventative maintenance for public transport operators (a very cost-effective way to reduce emissions). USAID will support central and local governments to improve management of solid and hazardous waste, including helping at least 60 local governments in increasing recycling and composting rates by at least 25%. Principal contractors and grantees include PA Consulting, DAI, and Infinite Progressions Foundation.

Improve Access to Clean Water and Sanitation (\$2,000,000 DA). USAID intends to implement recommendations of an ongoing feasibility study for establishing a Philippine Water Revolving Fund (WRF). Specific activities may include actions to address constraints to private sector financing of water and sanitation infrastructure, building capacity of the WRF fund manager and exploring options for use of a Development Credit Authority (DCA) guarantee to the WRF. USAID estimates about \$1,000,000 for DCA. USAID will also work with at least 10 local governments to implement low-cost wastewater treatment facilities. Businesses and communities in coastal tourism areas will receive USAID assistance in raising awareness, sharing lessons learned more broadly, and identifying options to reduce solid waste generation and organic pollution through improved disposal and sanitation technologies. Principal contractors include DAI, PADCO, and Louis Berger Group. USAID expects to identify a new contractor to implement the WRF and associated program.

FY 2006 Program: Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$3,140,000 DA; \$820,000 ESF). USAID will continue supporting local government and community forest and coastal management efforts in key sites. USAID will assist in the establishment of 15 marine sanctuaries and in the implementation of key legislation, policy development, information and education, law enforcement, and livelihoods. USAID also expects to increase support to expanding financing options, such as environmental user fees, in the forestry and coastal-marine sectors. USAID will intensify training of both local and national government on social marketing and advocacy for resource conservation and management. Same implementers as above.

Expand and Improve Access to Economic and Social Infrastructure - Energy (\$720,000 DA; \$2,500,000 ESF). USAID plans to electrify 1,500 more households and continue support to community initiatives for economic use of renewable energy systems. With continued progress in power sector reform, USAID expects to maintain support to the reform process, including assistance to the Energy Regulatory Commission and the promotion of clean and renewable energy. Same implementers as above.

Reduce, Prevent and Mitigate Pollution (\$1,358,000 DA). USAID plans to continue to strengthen the vehicle emissions testing system and promote use of alternative fuels. USAID may also support introduction of less-polluting technologies, public awareness campaigns to increase understanding of the health impacts of air pollution, and promote public-private consumer alliance building aimed at improving driving habits and reducing traffic congestion (to reduce air pollution). Support will also be provided to help develop and implement solid and hazardous wastes disposal measures. Same implementers as above.

Improve Access to Clean Water and Sanitation (\$858,000 DA). USAID may continue support of the WRF, including implementation of policy and institutional reforms, strengthening capacity of the WRF, and provision of a DCA guarantee. USAID will also continue work with local governments to implement low-cost wastewater treatment facilities and public awareness campaigns on the health effects of poor water. USAID also expects to continue efforts to promote appropriate sanitation and waste management in coastal areas with tourism. Same implementers as above.

Performance and Results: The environment and energy objective has achieved results in forest and coastal resource management, rural electrification, and urban environmental management. Over 40,000 hectares of coastal waters have been placed under improved management. USAID helped to maintain 284,335 hectares of forest cover under local government and community management. Energy sector reforms helped the country move towards adequate, clean, and affordable energy. USAID brought electricity to over 4,000 households in isolated conflict-affected areas of Mindanao. Efforts to mitigate the environmental and health hazards posed by poor air quality and improper waste management met with success in both rural and urban areas. USAID initiated a collaborative effort with the Japanese to bring clean water and sanitation services to more Filipinos. New policies and laws, such as the landmark Clean Water Act and the Autonomous Region in Muslim Mindanao's Sustainable Forest Management Act, are providing legal underpinning for long-term success and scaling up of USAID-initiated natural resource protection and management efforts.

US Financing in Thousands of Dollars

Philippines

	DA	ESF	MAI
492-004 Environment and Energy			
Through September 30, 2003			
Obligations	65,221	0	117,757
Expenditures	44,604	0	117,757
Unliquidated	20,617	0	0
Fiscal Year 2004			
Obligations	9,796	1,596	0
Expenditures	13,777	0	0
Through September 30, 2004			
Obligations	75,017	1,596	117,757
Expenditures	58,381	0	117,757
Unliquidated	16,636	1,596	0
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2005 NOA			
Obligations	8,076	5,320	0
Total Planned Fiscal Year 2005			
Obligations	8,076	5,320	0
Proposed Fiscal Year 2006 NOA			
Obligations	6,076	3,320	0
Future Obligations	34,170	11,255	0
Est. Total Cost	123,339	21,491	117,757

Data Sheet

USAID Mission:	Philippines
Program Title:	Education
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	492-011
Status:	Continuing
Planned FY 2005 Obligation:	\$5,000,000 DA; \$4,680,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$2,000,000 DA; \$4,680,000 ESF
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: The USAID basic education objective is focused on Mindanao, specifically the Autonomous Region in Muslim Mindanao (ARMM) and neighboring conflict affected areas where educational quality is exceptionally poor. It aims to improve access to quality education and provide livelihood skills for out-of-school youth by establishing community learning centers with flexible learning options; empowering Parent Teacher Community Associations (PTCA) and local school boards to play an active role in mobilizing and managing educational resources; strengthening the capacity for teaching math, science, and English; providing learning opportunities through Educational TV or radio; linking vocational education and livelihood training with employment opportunities; and encouraging Islamic schools (madaris) to teach the basic national curriculum (including reading, math, science, and English).

Inputs, Outputs, Activities:

FY 2005 Program: Improve the Quality of Basic Education (\$5,000,000 DA; \$3,080,000 ESF). USAID's Education Quality and Access for Learning and Livelihood Skills (EQuALLS) program will focus on improving instruction in reading, math, science, and English in the elementary schools of selected municipalities of the ARMM and the western Mindanao provinces of Zamboanga del Norte, Zamboanga del Sur, and Zamboanga Sibugay (Region 9) and the central Mindanao provinces of North Cotabato, South Cotabato, Sultan Kudarat, and Sarangani (Region 12). USAID will provide new materials, including books, Educational TV, and radio to participating schools, including madaris, and their teachers will be retrained. USAID will also provide training and mentoring for parents and members of the local school boards to help them play more active roles in managing their children's education programs. Training local government officials in selected municipalities will enable them to learn systems and processes for mobilizing more revenue for education and managing it effectively. In selected school-less and disadvantaged communities, school buildings or classrooms will be built or repaired, and school desks and chairs provided. The principal contractor is Creative Associates International, Inc. (CAII) and grantees are International Youth Foundation (IYF), Save the Children, Real World Productions, Knowledge Channel, Synergeia Foundation, and Brother's Brother Foundation.

Improve Quality of Workforce (\$1,600,000 ESF). USAID will support the establishment of a network of training centers offering e-skills learning modules, livelihood and vocational skills, counseling, and on-the-job training. USAID will also support the setting up of apprenticeship programs in the poorest, school-less and conflict-affected areas within the ARMM to help out-of-school youth improve their chances for future employment while earning education credits comparable to formal elementary and secondary education under the Department of Education's Non-Formal Education Accreditation and Equivalency system. USAID will provide assistance in developing and producing a ten-part video series on livelihood and business development skills for screening in community and/or alternative learning centers. Principal contractors and grantees are CAII, IYF, and Save the Children.

FY 2006 Program: Improve the Quality of Basic Education (\$1,500,000 DA; \$2,680,000 ESF). The majority of the activities begun in FY 2005 will continue as part of the EQuALLS project in FY 2006. Areas within the ARMM or Regions 9 and 12 that were not the focus of the project in FY 2005 may be included this year. The network of schools reached through distance education technologies will broaden, and new teachers will be trained to use these resources. New schools and alternative learning centers will receive

books through the donated book program. A new educational TV video series will be developed during FY 2006 on Peace Education to be shown in schools and alternative learning centers. Same implementers as above.

Improving Quality of the Workforce (\$500,000 DA; \$2,000,000 ESF). Livelihood training and apprenticeship programs for out-of-school youth will be expanded to additional municipalities within the ARMM and Regions 9 and 12. Scholarships for university education could be provided for high school youth who show leadership skills. Same implementers as above.

Performance and Results: During FY 2004, USAID awarded one contract and six public-private alliance grants to launch full-scale implementation of the new Education objective. In addition, USAID implemented the Pilot Education Assistance Program for Mindanao through a Participating Agency Service Agreement with the Peace Corps. A total of 116 trainers from the ARMM and conflict affected regions in Mindanao were trained. In turn, these trainers have conducted training workshops for 328 elementary and high school teachers in Mindanao to improve the teaching of English and ICT.

With Congressionally earmarked funds, the American Foreign Policy Council-Asia Pacific Initiative began implementing a model schools project under its existing Development for Peace in Sulu project. Seven elementary and five high schools in Jolo, Sulu are being established as model schools with increased involvement by parents, teachers, and the community. These schools will have the potential to serve as teacher training and vocational training centers.

By the end of the five-year program, USAID expects an increase in school enrollment and completion rates; a decrease in student drop-out rates; improved student performance in reading, English, math, science, and ICT; improved teacher performance; and increased resources for education, e.g. increased allocations by government and private sector, both central and local, and more efficient spending of available resources. In addition, substantial numbers of out-of-school youth will be integrated into the productive, peaceful economy through cost-effective programs that link educators with private business and industry.

US Financing in Thousands of Dollars

Philippines

492-011 Education	DA	ESF
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2004		
Obligations	3,300	9,054
Expenditures	17	38
Through September 30, 2004		
Obligations	3,300	9,054
Expenditures	17	38
Unliquidated	3,283	9,016
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2005 NOA		
Obligations	5,000	4,680
Total Planned Fiscal Year 2005		
Obligations	5,000	4,680
Proposed Fiscal Year 2006 NOA		
Obligations	2,000	4,680
Future Obligations	3,500	6,000
Est. Total Cost	13,800	24,414

Data Sheet

USAID Mission:	Philippines
Program Title:	Conflict Resolution in Mindanao and Other Areas
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	492-012
Status:	New in FY 2005
Planned FY 2005 Obligation:	\$3,500,000 DA; \$19,720,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$2,449,000 DA; \$8,000,000 ESF
Year of Initial Obligation:	2005
Estimated Year of Final Obligation:	2009

Summary: Conflict in the Philippines is jeopardizing the country's economic and social development and represents an important threat to regional security and USG vital interests. USAID's conflict mitigation assistance seeks to address the underlying causes of conflict. Assistance is focused on conflict-affected areas (CAAs). Activities aim to reintegrate former combatants and their communities into the mainstream economy, improve economic infrastructure, accelerate economic and business development, increase access to microfinance services, improve governance, and expand availability of social services. This strategic objective supersedes the Mindanao-specific objective: "Prospects for Peace in Mindanao Strengthened". It addresses conflict more comprehensively and with a geographic focus that may extend beyond Mindanao.

Inputs, Outputs, Activities:

FY 2005 Program: Address Conflict Transitional Issues (\$500,000 DA, \$4,000,000 ESF). USAID will conduct an assessment in FY 2005 to help determine appropriate additional activities. Using FY 2004 funds, USAID will complete the livelihood training of the approximately 1,000 former Moro National Liberation Front (MNLF) combatants remaining to be fully reintegrated into the economy, bringing to more than 25,000 the total number of ex-MNLF combatants able to make a living by peaceful means. This program will be adjusted to fit the different characteristics of the Moro Islamic Liberation Fund (MILF), and will be offered to the MILF in the event that they reach a peace agreement with the government. An estimated 4,000 MILF combatants would initially be assisted. The principal contractor is the Louis Berger Group (LBG). The principal grantee is the Bangsamoro Women's Foundation for Peace and Development. The anticipated counterpart agency for MILF-related activities is the Bangsamoro Development Agency.

Expand and Improve Access to Economic and Social Infrastructure (\$11,720,000 ESF). USAID will implement 10 mid-scale and 192 community infrastructure projects to spur economic development in the CAAs. A matching grant program implemented with Parent Teacher Community Associations will help improve educational facilities and encourage community involvement in improving education. USAID will continue its private sector partnerships to provide computers and internet connection to schools in the CAAs. Efforts will be undertaken to promote investments by private and public sectors in vital infrastructure like telecommunications, transportation, and power. The principal contractor is LBG.

Increase Private Sector Growth (\$1,800,000 DA, \$1,000,000 ESF). USAID will support private sector growth in Mindanao, and the ARMM region in particular, through business support organizations (BSOs), by providing technical assistance (TA) for business development, marketing, and adoption of new technology. USAID will help Mindanao producers take advantage of the sizeable market offered by China and other countries by helping them identify market opportunities, develop appropriate products, and improve production and marketing efficiencies. Some 3,000 former combatants who became small-scale commercial farmers with assistance from USAID will be trained and assisted to expand and diversify into the production and marketing of higher value products. The principal contractor is LBG with the various BSOs as partners.

Strengthen Financial Sector's Contribution to Economic Growth (\$1,200,000 DA). With USAID support to

rural banks and credit cooperatives, in FY 2005 approximately 50 new rural banks will begin serving some 80,000 new microfinance borrowers, and some 60,000 additional cooperative members will receive access to microfinance services. The principal contractor for the effort focused on banks is Chemonics International, Inc. The World Council of Credit Unions provides TA for the effort focused on credit unions.

Support Democratic Local Government and Decentralization (\$3,000,000 ESF). USAID will help the ARMM Regional Government and local government units (LGUs) become more professional, effective, transparent, and autonomous. Programs will be designed to improve the ARMM's capacity to deliver basic services (especially in health and education sectors) and may include supporting additional university-based centers for good governance in Mindanao. Grantees include the Asian Institute for Management, The Asia Foundation, and the National Democratic Institute. LBG will also assist.

FY 2006 Program: Address Conflict Transitional Issues (\$4,000,000 ESF). Assuming that a peace agreement between MILF and GRP is in place, USAID plans to assist an additional 4,000 former MILF combatants and their communities make the transition to productive farmers and fishers. Same implementers as above.

Expand and Improve Access to Economic and Social Infrastructure (\$3,000,000 ESF). USAID plans to fund the construction of two high visibility, medium-scale infrastructure projects (e.g., roads), and 100 community infrastructure projects in CAAs to help spur economic development and provide a tangible peace dividend to those who have abandoned conflict. Same implementers as above.

Increase Private Sector Growth (\$1,249,000 DA). USAID will continue strengthening BSOs, focusing on their revenue generating capacity. Efficiencies in the production and marketing of commodities already being produced by livelihood training graduates (i.e., tuna, seaweed, aquaculture products, fruits, and vegetables) will be improved to make producers more competitive in the Chinese and global market. USAID will also shift an additional 3,000 livelihood assistance beneficiaries to production and marketing of higher value fruits, vegetables, and aquaculture products. Same implementers as above.

Strengthen Financial Sector's Contribution to Economic Growth (\$1,200,000 DA). USAID plans to continue to provide technical assistance to rural and thrift banks. Approximately 60 new rural banks will begin serving microenterprises. At least 120,000 new microfinance borrowers will receive access to financial services in FY 2006. Same implementers as above.

Support Democratic Local Government and Decentralization (\$1,000,000 ESF). USAID plans to broaden its program to promote peaceful resolution of disputes associated with clan conflict, land disputes, and other sources of conflict. New activities addressing natural resource-based conflicts will be complemented and reinforced by activities under the Environment and Energy program. Same implementers as above.

Performance and Results: Since the expanded Conflict Resolution program strategic objective is new, this section highlights the performance of the previous Mindanao Conflict program. A total of 25,165 former MNLF combatants have received livelihood assistance and approximately 24,000 have "graduated" from the program. The remainder are expected to graduate by early 2005. Some 3,162 of them have diversified to higher value crops and over 2,000 are now selling their produce and earning higher incomes. Some 202 community infrastructure projects and 10 mid-scale infrastructure projects are either completed or under construction and benefit over 800,000 people by way of reduced transport costs, increased rural productivity, and improved access to markets. A total of 104 schools received computers with internet connections through partnerships with private sector groups that include Microsoft, Intel, Ayala Foundation, and Systems Technology Institute. Some 198 rural bank units received training and technical assistance to develop their capability to profitably serve the microenterprise market. These banks have provided more than \$80 million in loans to about 157,000 microenterprises and 242,000 micro-depositors have opened accounts and are regularly saving at participating banks. Mindanao exports of fruits, vegetable, and fish products to China increased by 34% last year with USAID assistance in marketing and business matching. With the establishment of a "cold chain" for vegetables from Bukidnon, Mindanao, complemented by USAID's Economic Governance program to improve transportation, vegetable shipments to Manila have increased 200% since December 2002.

US Financing in Thousands of Dollars

Philippines

492-012 Conflict Resolution in Mindanao and Other Areas	DA	ESF
Through September 30, 2003		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2004		
Obligations	0	0
Expenditures	0	0
Through September 30, 2004		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2005 NOA		
Obligations	3,500	19,720
Total Planned Fiscal Year 2005		
Obligations	3,500	19,720
Proposed Fiscal Year 2006 NOA		
Obligations	2,449	8,000
Future Obligations	0	0
Est. Total Cost	5,949	27,720