

## Philippines

**The Development Challenge:** Corruption and conflict continue to limit the Philippines' economic and social development, impeding badly needed investment and growth. Forty-six percent of the population lives on \$2 per day or less, and the country continues to fall further behind its neighbors on key economic and social indicators. This is aggravated by an alarming rate of population increase (2.4%), continued resistance by some vested interests to badly needed reforms, and steady degradation of the country's natural resource base. While the Philippines is one of the United States' most important allies in Southeast Asia in the global war on terror, it is also a fragile state. Nevertheless, it has maintained its vibrantly participatory democratic institutions and its market-based economic system, as well as its historic ties with the United States. The country made some important strides forward in the past two years, and President Arroyo's strong and consistent support for President Bush's efforts in the global war on terrorism was complemented by reciprocal state visits and the Philippines being declared a major non-NATO U.S. ally in 2003.

**The USAID Program:** USAID/Philippines' assistance is organized around five strategic areas: the Muslim separatist conflict in Mindanao; corruption and poor economic governance; damaging mismanagement of the Philippines' unique natural resources; serious deterioration in quality and access to education; and the impacts on health and economic growth of the high number of unwanted pregnancies, the recent resurgence of tuberculosis, and potential vulnerability to HIV/AIDS. Reducing corruption and mismanagement through decentralization, private-sector involvement, and administrative reform are cross-cutting implementation approaches for all areas. Assistance in all five areas has focused on the conflict-affected areas of Mindanao since the resurgence of fighting in early 2000 and the events of September 11.

USAID has an exceptionally close working relationship with both local and national figures working to manage the long-running Muslim separatist conflict in Mindanao and the Sulu Archipelago. USAID's program will, by 2005, have assisted every one of the 25,000 former combatants of the Moro National Liberation Front who need assistance to reintegrate themselves into the economy. The U.S. Department of State distributed a video presentation of this program worldwide as a model for U.S. relations with the Islamic community. USAID is fully prepared to implement a similar assistance package for the Moro Islamic Liberation Front should a peace agreement be signed.

Economic and social conditions are fundamental factors underlying extremism and conflict in the Philippines. Therefore, in addition to providing assistance to re-integrate former combatants into the economy, USAID is addressing economic growth and job creation in Mindanao in other ways. Microfinance field programs are achieving dramatic successes by helping rural banks lend to micro enterprises profitably by using local resources to implement lending programs based on international best practices. Working through private producers' associations, commodity development programs have increased farmer incomes by successfully moving farmers into new higher value-added crops. Programs to strengthen economic governance are helping communities increase forest and coastal zone productivity to enhance basic food security. USAID has continued and expanded community infrastructure construction. As conflict-affected communities benefit from these interventions, USAID's new education program is the stepping stone to the future for the next generation. The United States is already providing books, teacher training in English, and computers and computer literacy training to elementary/high schools in conflict-affected communities in Mindanao. These and other education activities underway will help counter inadequate, extremist teaching taking place in some of the hundreds of private "madaris" that have sprung up in the southern Philippines. They will also help build a truly pluralistic democracy by preparing the poor in the conflict-affected areas to take advantage of growing economic opportunities. USAID is also giving increasing priority to the conflict-affected areas of Mindanao in its health, environmental, and energy programs.

Nationally, the continued failure of the Philippine economy to attain the success achieved elsewhere in the region has turned the spotlight onto governance factors and corruption, especially after former President Estrada's downfall in 2001. USAID is developing transparency and accountability improvement

programs in government agencies to address areas of their operation that are vulnerable to corruption, such as revenue administration, government procurement, and judicial strengthening.

USAID supports both governmental and non-governmental stakeholders in reform efforts in regulation of public utilities, including electricity, telecommunications, ports, and airlines, where governance is especially weak. USAID provides critical technical assistance for an energy-sector reform program that may be a make-or-break initiative for an economy confronted with high electricity prices, looming power shortages, and investor skepticism. USAID also provides technical assistance for reforms that are vital to the transition to less-polluting and renewable sources of energy and improved air quality, including promotion of natural gas vehicles for the transportation sector. USAID approaches environmental management, in Mindanao and nationally, as a governance issue. Assistance, therefore, emphasizes strengthening transparency and accountability in local governance to more effectively manage natural resource use rights (often vested in communities), especially for threatened resources.

USAID's assistance for health recognizes the Government of the Republic of the Philippines' (GRP) devolution of responsibility to local levels of government for family planning, maternal and child health care, TB and HIV/AIDS management, and food fortification and thus works to strengthen the capacity of local government to provide health services. USAID is also breaking new ground in finding innovative ways to stimulate the private commercial sector to play a greater part in improving access to quality health services for those who can afford to pay, even in non-traditional areas such as family planning and tuberculosis management, thus relieving the burden on the public sector to provide these services. USAID is also seeking ways of financing health care through internal mechanisms in the country to reduce the country's long-term donor dependency.

**Other Program Elements:** USDA's PL 480 Title-I program provided local currency for budget support to the government, part of which has been directed to agricultural development. Co-financing with USAID Washington of microfinance assistance continues, and new initiatives under the Making Cities Work program and the Monsanto Corn Alliance were funded. USAID has tapped the Development Credit Authority (DCA) Program for an innovative loan guarantee program for participants in the Well-Family Midwife Clinic program, a first such application of DCA funds. USAID's environment program was highly successful in utilizing both USAID's Global Development Alliance funds for the Marine Aquarium Council, as well as the ANE Mission Incentive Fund for Public Private Alliances, specifically for the SUCCESS Cacao Project expansion and activities under the Energy and Environment Incentive Fund. The U.S. Department of State, Treasury, Justice and Energy Departments provide training and technical assistance in important areas like tax administration, privatization of the energy sector, and control of money laundering.

**Other Donors:** The major donors to the Philippines are the Japan Bank for International Cooperation, the Asian Development Bank (ADB), and the World Bank, which support infrastructure or sector policy programs. USAID collaborates closely with the ADB and the World Bank on sectoral policy in energy, basic grains, bank and non-bank financial regulation, and expenditure management. USAID and the U.S. Embassy maintain an active dialogue with the IMF, which has a small but influential technical-assistance program that includes tax administration assistance to the Philippines Bureau of Internal Revenue. The United Nations Development Program has been active in coordinating assistance of other donors who complement USAID's programs in Mindanao, and the Japanese continue to coordinate their Mindanao planning with USAID. Bilateral assistance from Australia and Canada includes an emphasis on Mindanao, corruption and governance that complements USAID's. A number of donors have education initiatives for which coordination has been initiated. Other bilateral donors with substantial programs, including Germany and other Economic Union members, emphasize direct assistance to small enterprises and small farmers.

## Philippines PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	23,599	22,920	29,350	28,000
CSH - FY 02 Supplemental	2,000	0	0	0
Development Assistance	24,459	28,209	22,068	26,076
Economic Support Fund	21,000	15,000	17,645	35,000
ESF - FY 02 Supplemental	12,000	0	0	0
ESF - Emergency Response Fund	0	30,000	0	0
<b>Total Program Funds</b>	<b>83,058</b>	<b>96,129</b>	<b>69,063</b>	<b>89,076</b>

### STRATEGIC OBJECTIVE SUMMARY

492-002 Economic Governance				
DA	5,592	7,792	8,708	8,500
ESF	10,000	2,500	2,725	5,000
492-003 Family Planning and Health				
CSH	11,685	22,920	29,350	28,000
CSH - FY 02 Supplemental	2,000	0	0	0
ESF	4,000	0	0	0
492-004 Environment and Energy				
DA	13,667	13,667	7,860	8,076
ESF	0	0	1,140	5,320
492-010 Conflict Resolution in Mindanao				
DA	5,200	6,750	2,500	6,500
ESF	7,000	12,500	12,780	20,000
ESF - FY 02 Supplemental	12,000	0	0	0
ESF - Emergency Response Fund	0	30,000	0	0
492-011 Education				
DA	0	0	3,000	3,000
ESF	0	0	1,000	4,680
TRANSFER				
CSH	11,914	0	0	0

Mission Director,  
Michael Yates

## Data Sheet

<b>USAID Mission:</b>	Philippines
<b>Program Title:</b>	Economic Governance
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	492-002
<b>Proposed FY 2004 Obligation:</b>	\$8,708,000 DA; \$2,725,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$8,500,000 DA; \$5,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 1995
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID's economic governance program addresses issues that are most fundamental to ending the Philippines' pattern of badly stunted economic growth: conflict and corruption. The major focus will be development of transparency and accountability programs in government agencies to address areas of operation which are vulnerable to corruption. A variety of methods will support better governance, at every level of government. The program also contributes to fostering the investment (both internal with improved tax collection, and external with better policies to attract foreign investment) and job growth needed to reduce poverty and create an economic environment conducive to conflict reduction. It furthers U.S. interests in combating terrorism and promoting stability in the Asia region, and enhances trade and investment opportunities by expanding the Philippine market, making commercial and financial transactions with the Philippines more transparent, and protecting intellectual property rights.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Make institutions, policies, and practices more transparent and accountable (\$5,851,000 DA, \$2,225,000 ESF). This program will implement a well-integrated economic growth and democratic governance program of technical assistance, training, civil-society support, legislative support, and institutional development. Outputs will include information collection, analysis, and dissemination; assistance with development of policies, and legislative and regulatory drafts; legislative briefings; new civil-society organizations with sectoral expertise; strengthened governmental institutions responsible for implementing or enforcing reforms; and strengthened legal-judicial systems. The most important areas of focus will be money laundering/terrorist financing, tax administration, government procurement reform, and banking and securities regulation.

Increasingly, the program will put more emphasis on corruption mitigation. USAID will provide technical assistance to government agencies in the development of transparency and accountability improvement programs that address areas vulnerable to corruption. USAID will fund training, research, and study visits to the Inter-Agency Anti-Graft Coordinating Council composed of anti-corruption agencies such as the Office of the Ombudsman, the Commission on Audit, the Civil Service Commission, and the Presidential Commission against Graft and Corruption. New initiatives include strengthening of judicial ethics, emphasizing ethics in legal education and the bar exam, and community policing. USAID will continue to provide technical assistance and training to in-court and out-of-court judicial systems, including mediation. More broadly, the program will support innovative approaches to conflict resolution at the grass roots and higher levels, particularly in Mindanao where marginalized groups have limited access to the judicial system. Additional activities will focus on the strengthening of local government management.

Remove competitive barriers to development of infrastructure and trade (\$2,857,000 DA, \$500,000 ESF). The integrated economic governance program will support open and equal access to markets and inputs and public participation in regulated, decentralized, competitive service delivery by local governments and the private sector. USAID will assist with competitive procurement for infrastructure such as roads, ports,

shipping, aviation, power, telecommunications, and information technology and will provide technical assistance and training in monitoring performance, regulation and rate setting, privatization and out-sourcing, and training workers in critical skills. USAID will expand technical assistance for institutional reform in the Bureau of Customs.

These programs are implemented in an integrated framework by Development Alternatives, Inc., with IBM and Transnational Public Policy Advisors as sub-contractors. Implementing grantees include The Asia Foundation, the American Bar Association, the Financial Sector Volunteer Corps and several Philippine non-governmental organizations. ESF funds concentrate on combating corruption in governance, particularly at the local level and in Mindanao, and in addressing national level policy, institutional and regulatory issues relating to corruption in governance, finance, and commerce. DA funds primarily address competitiveness and openness of the economy.

**FY 2005 Program:**

Multi-year reform efforts to make institutions, policies, and practices transparent and accountable (\$5,500,000 DA, \$3,000,000 ESF). This program will continue to increase emphasis on corruption mitigation. New counterparts may include the Philippine anti-graft court. USAID will continue to provide technical assistance and training to in-court and out-of-court judicial systems, including mediation, and in implementing institutional reforms in tax administration and government procurement. USAID will also expand assistance to rationalize and control public expenditure management. USAID may provide technical assistance and training to bring additional openness to the government financial sector. These activities will use the same implementers as for FY 2004, plus new ones as determined by competitive procurements.

Remove competitive barriers to development of infrastructure and trade (\$3,000,000 DA, \$2,000,000 ESF). USAID will continue assistance to the Department of Finance, which contains both the Bureau of Internal Revenue and Bureau of Customs. USAID will provide technical assistance and training in areas related to infrastructure: contracting and procurement, monitoring of performance, regulation and rate setting, and privatization and out-sourcing. A special effort will be made to address issues that arise with infrastructure projects in conflict-affected areas of Mindanao. The program will continue to use the same implementers as for FY 2004 activities, plus new ones through competitive procurements.

**Performance and Results:** USAID provided technical support to the initiatives of the Central Bank (Bangko Sentral ng Pilipinas, BSP) and the Anti-Money Laundering Council (AMLC) to amend the Anti-Money Laundering Law (AMLA) to meet the concerns of the Financial Action Task Force. The initiatives were aimed at strengthening the capacity of the AMLC to detect and combat "dirty money" within the financial system. The Philippine Congress passed the amendments to the AMLA in February 2003. USAID provided technical assistance in drafting Executive Order 170 which formally launched the Roll-on Roll-off sea-land transportation technology as an alternative and viable transportation facility. Potential gains from this policy are reduced transportation costs, faster movement of goods, and lower prices for basic commodities. Other downstream benefits should include increased agricultural production in key areas, including the conflict-affected areas of Mindanao.

USAID provided technical assistance to the Department of Budget and Management to develop the Implementing Rules and Regulations (IRRs) for the Government Procurement law passed in 2002; these were recently approved by the President. USAID supported a series of IRR workshops, and publicized the new rules so that they could be widely and quickly implemented. In addition, USAID has funded local NGOs for continuing monitoring of procurement operations to ensure that they achieve their desired result. In the financial sector, USAID helped the GRP pass the Special Purpose Asset Vehicle Act, a key piece of legislation that will help banks reduce their nonperforming loans. Passage is hopefully near on another piece of legislation, the documentary stamp tax, crafted with USAID assistance. Its passage would help create a functioning bond market.

## US Financing in Thousands of Dollars

Philippines

492-002 Economic Governance	DA	DCA	ESF	MAI
<b>Through September 30, 2002</b>				
Obligations	31,690	1,001	13,991	60,244
Expenditures	23,629	600	3,543	60,244
Unliquidated	8,061	401	10,448	0
<b>Fiscal Year 2003</b>				
Obligations	8,246	0	2,250	0
Expenditures	6,219	-100	6,231	0
<b>Through September 30, 2003</b>				
Obligations	39,936	1,001	16,241	60,244
Expenditures	29,848	500	9,774	60,244
Unliquidated	10,088	501	6,467	0
<b>Prior Year Unobligated Funds</b>				
Obligations	0	0	0	0
<b>Planned Fiscal Year 2004 NOA</b>				
Obligations	8,708	0	2,725	0
<b>Total Planned Fiscal Year 2004</b>				
Obligations	8,708	0	2,725	0
<b>Proposed Fiscal Year 2005 NOA</b>				
Obligations	8,500	0	5,000	0
Future Obligations	8,500	0	5,000	0
Est. Total Cost	65,644	1,001	28,966	60,244

## Data Sheet

<b>USAID Mission:</b>	Philippines
<b>Program Title:</b>	Family Planning and Health
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	492-003
<b>Proposed FY 2004 Obligation:</b>	\$29,350,000 CSH
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$28,000,000 CSH
<b>Year of Initial Obligation:</b>	FY 1994
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** USAID's activities focus on two major factors contributing to poverty and instability in the Philippines - continued high population growth and the tuberculosis (TB) burden. Local governments are now responsible for providing key primary health services. Thus USAID focuses on improving local government capacity to deliver family planning services, expand TB diagnosis and treatment, and improve other vital health services focused particularly on the poor. However, with limited resources the public sector must focus on providing health services to the lowest income groups. At the same time, the private and commercial sector must be given the confidence to enter the market and provide these services to those who have the ability to pay. Creating national self-reliance for the supply of contraceptives is central to the development of the Philippines. USAID is concurrently strengthening the private sector's ability to provide more and better quality family planning and TB services to reduce the demands on the overstretched government systems and make these services more sustainable. USAID 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 2004 Program:

Family planning and health services by local government units (\$19,350,000 CSH). USAID will strengthen the capacity of local governments to effectively deliver family planning and health services. The focus will be on improving counseling for family planning and increasing the availability of TB diagnosis and treatment. Technical assistance and training will be provided to local government health practitioners and service providers in as many as 130 cities and municipalities, most of which are in the conflict-affected areas of Mindanao. Because of local governments' limited resources, USAID will also provide technical assistance to assist them in segmenting clients in public clinics to focus their efforts on those who truly cannot afford to pay. USAID will also provide limited funding for the creation of voluntary sterilization training centers and provider sites. USAID will implement Vitamin A supplementation activities and immunization campaigns in the conflict-affected areas of Mindanao. USAID will also 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. To improve the policy environment, USAID will provide technical assistance to implement the National Health Insurance Program's new and improved benefits package developed in FY 2003. This includes family planning and TB treatment; revision of national policies and guidelines 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 also assist local groups to advocate for changes in government policies to promote self-reliance in contraceptives. Principal contractors and grantees include Management Sciences for Health and the National Tropical Medicine Foundation, Inc.

Family planning and health services by the private sector (\$7,538,000 CSH). USAID will assist the GRP to achieve contraceptive self-reliance by expanding the role played by the private sector in providing family planning and TB services. USAID will provide information and technical assistance to private providers and the general public on the correct treatment of TB. USAID will assist nationally recognized

businesses and private sector organizations to advocate for improved policies for private sector provision of family planning. USAID will also work with private providers and pharmaceutical organizations to increase the availability of affordable commercial family planning commodities in the market. 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. In collaboration with the Global Alliance for Improved Nutrition initiative, USAID will provide technical assistance to increase the number of micronutrient-fortified foods and their consumption. USAID will explore other options to increase the number of private sector service providers in TB and family planning and enhance the quality of service they provide. Principal contractors and grantees include John Snow, Inc., FriendlyCare Foundation, Inc. (FCFI), DKT Philippines, Chemonics International and the Commercial Markets Strategies (CMS) Project in the Philippines.

Social acceptance of family planning (\$2,462,000 CSH). To increase the social acceptance of modern family planning methods, USAID will conduct a multi-media communication campaign that promotes the use of modern contraceptives as part of a normal, healthy lifestyle; provide technical assistance to Muslim religious leaders for the development and proclamation of a national fatwa (religious edict) in support of family planning and reproductive health; work with medical, nursing, midwifery, and pharmacy school associations for the enhancement of family planning concepts in the school curriculum and with the various board examiners for inclusion of family planning questions in the licensure examinations; and develop and train family planning champions and sectoral networks for family planning advocacy. The principal contractor is the Academy for Educational Development.

In all of the above activities, USAID will work with the Department of Health, Commission on Population, Philippine Health Insurance Corporation, and local governments. All family planning agreements will incorporate clauses that implement the President's directive reinstating the Mexico City Policy.

**FY 2005 Program:**

Family planning and health services by local government units (\$10,900,000 CSH). USAID will expand program activities to include an additional 220 local governments nationwide. USAID will continue to improve the policy environment for the provision of family planning and health services. These activities will be implemented using the same partners as in 2004.

Family planning and health services by the private sector (\$12,400,000 CSH). USAID will increase marketing efforts and technical assistance to help the private sector increase its sales of contraceptives; expand TB activities to 25 cities; and support the nationwide expansion of an accreditation service for private health care providers for TB and family planning that will build consumer confidence to use these services and keep them competitive. Principal contractors and grantees include Chemonics International and FCFI.

Social acceptance of family planning (\$4,700,000 CSH). USAID will continue communications and advocacy activities such as conducting national and local communications campaigns and identifying and promoting additional popular champions. These activities will use the same implementers as in 2004.

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

**Performance and Results:** Preliminary data from the 2003 National Demographic and Health Survey (NDHS) suggest no significant change in the national contraceptive prevalence rate (CPR) for modern methods at 34.7% as compared to the 2002 level of 35.1%. The reported CPR for 2003 indicates a 10 percentage point increase in the past 10 years (CPR in 1993 and 1998 were estimated at 24.9% and 28.2% respectively) with the rate of increase accelerating in the past five years. The share of the private sector in the provision of family planning supplies and services increased to 29.1% in 2003 from 28.5% in 2002. The increase in the private sector contribution occurred primarily in the number of pill users. Complete childhood immunization levels increased to 69% nationally from 63% in 2002. HIV/AIDS prevalence remained below three percent among the most at risk groups.



## US Financing in Thousands of Dollars

Philippines

492-003 Family Planning and Health	CSH	DA	DCA	ESF	MAI
<b>Through September 30, 2002</b>					
Obligations	31,739	153,227	0	2,000	1,800
Expenditures	12,395	138,290	0	4	1,581
Unliquidated	19,344	14,937	0	1,996	219
<b>Fiscal Year 2003</b>					
Obligations	20,542	2,375	7,050	2,000	0
Expenditures	7,528	12,639	0	1,183	0
<b>Through September 30, 2003</b>					
Obligations	52,281	155,602	7,050	4,000	1,800
Expenditures	19,923	150,929	0	1,187	1,581
Unliquidated	32,358	4,673	7,050	2,813	219
<b>Prior Year Unobligated Funds</b>					
Obligations	0	0	0	0	0
<b>Planned Fiscal Year 2004 NOA</b>					
Obligations	29,350	0	0	0	0
<b>Total Planned Fiscal Year 2004</b>					
Obligations	29,350	0	0	0	0
<b>Proposed Fiscal Year 2005 NOA</b>					
Obligations	28,000	0	0	0	0
Future Obligations	80,400	0	0	0	0
Est. Total Cost	190,031	155,602	7,050	4,000	1,800

## Data Sheet

<b>USAID Mission:</b>	Philippines
<b>Program Title:</b>	Environment and Energy
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	492-004
<b>Proposed FY 2004 Obligation:</b>	\$7,860,000 DA; \$1,140,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$8,076,000 DA; \$5,320,000 ESF
<b>Year of Initial Obligation:</b>	FY 1995
<b>Year of Final Obligation:</b>	2007

**Summary:** The USAID Environment and Energy Program assists the Government of the Republic of the Philippines (GRP) to address conflict, declining natural resource productivity, and environmental health of the Filipino people, due to over-exploitation and poor governance of the dwindling supply of fish, forests, water, and clean air. With particular focus on the conflict-affected areas of Mindanao, the program brings renewable energy to unelectrified communities of former rebel combatants, raising both quality of life and prospects for peace. Energy and air quality activities promote an adequate, clean, and affordable supply of electricity to increase economic competitiveness and avert impending power crises; provide electricity to the thousands of communities; and reduce vehicle emissions to improve public health. Environmental governance activities help strengthen the ability of national and local governments to manage the use of forests, fisheries, and water, particularly in Mindanao, and manage solid waste, all with an emphasis on transparency, accountability, and stakeholder participation.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Improve performance in energy and air quality sectors (\$3,380,000 DA, \$800,000 ESF). USAID will electrify 1,680 households in 56 remote rural communities of former rebel combatants with sustainable renewable energy systems (such as solar and micro-hydro) through the existing partnership with Mirant Philippines. Mirant procures and installs the equipment while USAID supports training and organization of communities to successfully manage, finance the operation of, maintain, and protect these systems. USAID will provide the GRP Department of Energy (DOE) and its affiliates with more technical analysis, training, and study tours to increase competition and efficiency in the generation and retail supply of electricity. In addition, advisors will continue to strengthen the new, independent Energy Regulatory Commission (ERC) in deciding over 100 rate cases through unbundling transmission and distribution cost components. Advisors will continue to assist the DOE and legislators to develop implementing rules and policies to encourage the development of the natural gas and renewable energy sectors in order to increase private sector investment and avert power crises. USAID will promote greater public awareness of the health impacts of excessive vehicle emissions and support the effective operation of private sector emission testing centers (thereby increasing the use of preventive maintenance of transportation fleets). USAID will also partner with the private sector to promote cleaner-burning fuels in the transport sector, such as Compressed Natural Gas-powered buses. Principal cooperators include the Academy for Educational Development, Winrock, US Department of Energy, and US Energy Association.

Improve environmental governance (\$4,480,000 DA, \$340,000 ESF). USAID will promote greater transparency and accountability in the enforcement of environmental laws by assisting local governments to develop and implement forest land use plans to reduce illegal logging and deforestation that threatens watersheds and provides a locus of conflict. USAID will provide legal assistance to at least 30 communities to mitigate conflicts in the management of natural resources, particularly in the Autonomous Region of Muslim Mindanao. USAID will sponsor multi-stakeholder consultations and provide training to identify solutions to over fishing in four target eco-regions. USAID will continue sponsoring cross-site visits and training to local governments for the design and implementation of solid waste management

projects (such as recycling, composting, and proper waste disposal). USAID will improve water quality management by assisting the Department of Environment and Natural Resources (DENR) to implement the pending Clean Water Act and advising local governments on the design and implementation of low-cost wastewater systems. USAID will assist selected local governments to audit energy use in water supply systems to conserve water and electricity. USAID will also assist DENR and the private sector to implement a voluntary environmental compliance program to improve corporate governance and reduce industrial pollution. Training will be provided to the judicial system to strengthen capacity to handle environmental cases. Principal contractors and grantees include Development Alternatives, Inc.; Tetra Tech EM; Center for International Environmental Law; ACDI/VOCA; PADCO, Inc.; Marine Aquarium Council; Alliance to Save Energy; and the Peace Corps.

**FY 2005 Program:**

Improve performance in energy and air quality sectors (\$3,376,000 DA, \$4,320,000 ESF). USAID plans to electrify an additional 3,300 households in 110 communities of former rebel soldiers in conflict-affected areas of Mindanao and other parts of the country with renewable energy systems. The USAID program will supply solar-powered potable water to at least 2,050 homes, provide 6,140 students with access to renewable energy-powered distance learning facilities, support microfinance activities and establish solar-powered satellite telecommunications facilities in at least 35 isolated communities. USAID will expand partnerships with private sector firms. USAID will strengthen the ERC's ability to regulate over 140 utilities and cooperatives and intensify efforts to reduce vehicle emissions through constituency building, increased enforcement and private sector partnerships. Principal cooperators include Winrock, US Department of Energy, and US Energy Association.

Improve environmental governance (\$4,700,000 DA, \$1,000,000 ESF). USAID will provide technical assistance to establish downstream user fees for upland environmental services (e.g., water supply), continue legal assistance to at least 40 communities to reduce conflicts over forest and coastal resources, and devolve authority for managing forests to local governments. Assistance in expanding community-based management of forests will directly support efforts to promote peace in conflict-affected areas, though at a level reflecting limited program funding. USAID will assist key stakeholders to address over fishing through participatory consultations and policy reform. USAID will expand assistance to selected local governments to build their capacity to invest in low-cost waste water treatment and sanitation systems, and implement integrated solid waste management. Implementers will be the same as in FY 2004.

**Performance and Results:** USAID provided renewable energy-powered electricity to 2,520 households and public facilities in 84 communities of former rebel soldiers in conflict-affected areas of Mindanao. Households now have cleaner and brighter lights for activities such as childcare, school work and income generation. Due to USAID assistance on rate making, the ERC issued 36 decisions to separate generation and transmission rates of the most critical electric utilities, covering 70% of all consumers and providing the foundation for introducing competition in generation, transmission and retail sale of electricity. USAID training and communications assistance helped establish 300 private vehicle emissions testing centers nationwide, enabling vehicle owners to comply with Clean Air Act requirements. USAID assistance in policy reform helped DOE generate over 40 investors' interest in natural gas exploration and pipelines.

Seventy-five local governments committed \$764,000 to reduce illegal logging and destructive fishing and improve solid waste management. Fifteen municipalities placed an additional 3,421 hectares of coastlines under improved management in 2003, for a total area of 35,291 hectares placed under improved management by 121 municipalities. One hundred and ten communities improved their ability to monitor and protect 4,048 hectares of marine sanctuaries, thereby increasing coral cover and giving severely depleted fish stocks a chance to recover. Fifty-three farmer leaders representing over 32 cooperatives were trained in cacao production with at least 4,000 cacao seedlings distributed to 11 community nurseries in Western Mindanao. USAID published a technical design of solid waste management used by at least 17 local governments in establishing materials recovery facilities. Through USAID assistance, one corporation improved the environmental performance of over 100 suppliers through the "Greening the Supply Chain" program.

## US Financing in Thousands of Dollars

Philippines

492-004 Environment and Energy	DA	ESF	MAI
<b>Through September 30, 2002</b>			
Obligations	51,554	0	117,757
Expenditures	34,586	0	117,757
Unliquidated	16,968	0	0
<b>Fiscal Year 2003</b>			
Obligations	13,667	0	0
Expenditures	10,018	0	0
<b>Through September 30, 2003</b>			
Obligations	65,221	0	117,757
Expenditures	44,604	0	117,757
Unliquidated	20,617	0	0
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2004 NOA</b>			
Obligations	7,860	1,140	0
<b>Total Planned Fiscal Year 2004</b>			
Obligations	7,860	1,140	0
<b>Proposed Fiscal Year 2005 NOA</b>			
Obligations	8,076	5,320	0
Future Obligations	13,300	3,000	0
Est. Total Cost	94,457	9,460	117,757

## Data Sheet

<b>USAID Mission:</b>	Philippines
<b>Program Title:</b>	Conflict Resolution in Mindanao
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	492-010
<b>Proposed FY 2004 Obligation:</b>	\$2,500,000 DA; \$12,780,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$6,500,000 DA; \$20,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2001
<b>Year of Final Obligation:</b>	FY 2007

**Summary:** This program is the principal means through which USAID is assisting the Government of the Philippines (GRP) to consolidate the still fragile peace with the Moro National Liberation Front (MNLF) in Mindanao and to reduce the potential for Mindanao to become a source of recruits for terrorist organizations. USAID addresses threats to U.S. and global interests posed by the separatist conflict in Mindanao through targeted assistance in conflict-affected areas and by fostering a broad and equitable expansion of economic opportunity for the people of Mindanao. USAID activities aim to integrate former combatants and their communities into the mainstream economy; improve economic infrastructure in conflict-affected areas; accelerate economic and business development; increase access to microenterprise services; and improve governance and expand availability of social services, specifically education, in conflict-affected areas.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Integration of former combatants and their communities (\$1,860,000 ESF). USAID will continue to provide assistance to the communities of former combatants to enable them to participate in the mainstream economy through the commercial production of corn, rice, or seaweed. Assistance will be in the form of production inputs, as well as training, technical support, and marketing assistance. USAID will also provide post-harvest facilities (e.g., grain storage sheds and corn dryers) to former combatants' communities to increase the productivity and profitability of their farming/aquaculture activities through improved post-harvest handling.

Improving economic infrastructure in conflict-affected areas (\$8,920,000 ESF). USAID will finance construction of 100 community infrastructure projects (such as water systems, jetty improvements, bridges, culverts, and farm-to-market roads) with an average cost of \$20,000 each. Approximately seven mid-size projects (mostly road, port or bridge rehabilitation) costing between \$500,000 to \$1 million will also be undertaken. These projects, all located in the Autonomous Region in Muslim Mindanao (ARMM) and conflict-affected areas of Mindanao, are designed to facilitate the movement of goods and services in order to spur economic development in the area.

Accelerating economic and business development of Mindanao (\$500,000 DA, \$500,000 ESF). USAID will provide technical assistance to expand the production and marketing of high-value crops and products (such as finfish and certain vegetables), and assist in the formation and/or strengthening of business support organizations such as the Mindanao Business Council. This activity provides small farmers with better access to new technology, expands their markets, and helps reduce rural poverty. A special effort will be made to shift an estimated 3,000 former-MNLF combatants, who graduated from USAID's livelihood assistance program, to the production and marketing of higher value commodities to raise their incomes.

Increasing access to microfinance services (\$2,000,000 DA). USAID will provide technical assistance to an additional 50 rural bank units to enable them to profitably provide loan and deposit services to

microenterprises on a continuing basis. Continuing attention will be paid to rural banks located in conflict-affected areas, or which provide services to members of cultural minorities. It is anticipated that approximately 40,000 new microfinance borrowers and 20,000 new cooperative members will benefit.

Improving governance and delivery of social services in the ARMM (\$1,500,000 ESF). Based on assessments of the educational needs in the ARMM, USAID will provide assistance for improving school administration in the ARMM; expanding linkages between schools and the business community and parents' groups; reducing inappropriate practices in procurement, and teacher hiring and promotion; and improving internet access for ARMM students.

Principal contractors for the above activities include Louis Berger Group and Chemonics.

**FY 2005 Program:**

Livelihood assistance to former Moro Islamic Liberation Front (MILF) fighters (\$4,000,000 ESF). USAID will provide livelihood assistance to an additional 4,000 former combatants and their communities.

Improving economic infrastructure in conflict-affected areas (\$11,000,000 ESF). USAID will fund the construction of 11 high visibility infrastructure projects in the conflict-affected areas of Mindanao to help spur economic development.

Accelerating economic and business development of Mindanao (\$3,500,000 DA, \$1,000,000 ESF). USAID will provide technical assistance for business development, including support for eight business support organizations, to enable them to achieve targets set in their business development plans, thus achieving the goal of viability and sustainability by the end of the program. USAID will also shift an estimated 4,000 beneficiaries of livelihood assistance to production and marketing of higher value fruits, vegetables, and aquaculture products. Exports of fish, fruit and vegetables to growing Asian markets from Mindanao are expected to grow by as much as 15% per year.

Increasing access to microfinance services (\$3,000,000 DA). USAID will continue to assist rural banks and credit cooperatives to ensure profitability in their microfinance lending operations. Approximately 60 new rural banks, benefiting some 50,000 new microfinance borrowers and 30,000 additional cooperative members, will receive access to microfinance services in FY 2005.

Increasing governance and delivery of social services in the ARMM (\$4,000,000 ESF). USAID expects to support education initiatives and expand governance efforts begun in FY 2003. Governance efforts will focus on improving efficiency, transparency, and accountability of the ARMM Regional Government. Education efforts will continue to focus on promoting greater awareness of education issues, school administration, and improving internet access.

**Performance and Results:** USAID provided production inputs and training, including 150 post-harvest facilities to MNLF communities, to over 5,000 former MNLF combatants, bringing the total number of program graduates to 21,000. This provided the former combatants a steady source of income which they are now using for buying production inputs, sending their children to school, building houses or acquiring farm implements. Some 18 rural bank units received training and technical assistance to develop their capability to profitably service the microenterprise market, bringing the total number of beneficiary bank units to 115. These banks have provided Pesos 2.9 billion in loans to 107,000 microenterprises (36,000 of the loans were made in 2003). In addition, 44,000 micro-depositors opened accounts in 2003, increasing the total to 175,000 now regularly saving at the participating banks. Some 1,300 of the 3,000 USAID-trained Livelihood Enhancement and Peace (LEAP) Project graduates shifted production to higher value commodities and 535 are now marketing products that command significantly higher prices than their traditional products. USAID facilitated an initial shipment to China of agricultural products valued at Pesos 6.45 million.

## US Financing in Thousands of Dollars

Philippines

	DA	ESF
492-010 Conflict Resolution in Mindanao		
<b>Through September 30, 2002</b>		
Obligations	6,900	12,211
Expenditures	1,310	0
Unliquidated	5,590	12,211
<b>Fiscal Year 2003</b>		
Obligations	6,750	27,500
Expenditures	4,595	9,135
<b>Through September 30, 2003</b>		
Obligations	13,650	39,711
Expenditures	5,905	9,135
Unliquidated	7,745	30,576
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2004 NOA</b>		
Obligations	2,500	12,780
<b>Total Planned Fiscal Year 2004</b>		
Obligations	2,500	12,780
<b>Proposed Fiscal Year 2005 NOA</b>		
Obligations	6,500	20,000
Future Obligations	9,000	30,000
Est. Total Cost	31,650	102,491

## Data Sheet

<b>USAID Mission:</b>	Philippines
<b>Program Title:</b>	Education
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	492-011
<b>Proposed FY 2004 Obligation:</b>	\$3,000,000 DA; \$1,000,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$3,000,000 DA; \$4,680,000 ESF
<b>Year of Initial Obligation:</b>	FY 2004
<b>Year of Final Obligation:</b>	FY 2009

**Summary:** USAID's new program, "Increased Access to Quality Education and Livelihood Skills in Selected Areas," was launched in October 2003 to address the political, economic, and social marginalization of Muslims and other impoverished and conflict-affected communities in order to build peace and economic security. This program seeks to address some of the most critical education issues in conflict-affected areas. USAID has education activities already underway in Mindanao under the Growth with Equity in Mindanao (GEM)-2 program, managed under the "Improved Prospects for Peace in Mindanao" (492-010). Initiated in FY 2003, GEM-2's areas of focus include improving English language instruction, expanding internet connections in schools, improving teacher management, and promoting community involvement in schools. The new education program's focus is on four key areas:

- Increasing community-based learning opportunities (especially in school-less conflict-affected areas);
- Promoting the reintegration of out-of-school youth into the productive economy;
- Improving teaching capacity in math, science, and English; and
- Reforming education policy (e.g., fighting corruption, especially in hiring and procurement, and assisting the GRP in developing an accreditation process for private schools such as madaris (religious schools)).

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Community-based learning (\$1,000,000 DA, \$1,000,000 ESF). USAID will increase local-level learning opportunities in school-less communities and selected other disadvantaged communities, particularly conflict-affected areas, by establishing alternative learning options and strengthening formal schooling at the community level. The program will strengthen the capacity of local school boards, PTAs, local NGOs, and communities to improve formal and non-formal educational opportunities, including livelihood skills training. Since December 2003, USAID's GEM program has sponsored a Matching Grants Program enabling schools in the Autonomous Region in Muslim Mindanao (ARMM) and their respective Parent Teacher Community Associations to receive awards of \$500 to \$2,500 for projects that enhance the quality of education. Four matching grants are ongoing or completed. USAID will identify other approaches and implementers for this component's activities.

Improving teaching capacity in math, science, and English (\$1,254,000 DA). The focus is on the following areas:

- Building the capacity of selected teacher education institutions (TEIs) to provide training for NGO service providers, division and district personnel, teachers, and non-formal facilitators;
- Developing distance learning tools, including radio, for classroom instruction, especially for English;
- Strengthening local capacity to provide teacher training; and
- Working with madaris to encourage them to improve teaching in secular subjects, including math, science, and English. Through a USAID/Peace Corps interagency agreement, and tapping the English language expertise found in the Embassy's Public Affairs Section, the Peace Corps is teaching English to teachers in conflict-affected communities of Mindanao. USAID will identify other implementing contractors and grantees over the course of the year.



Reintegration of out-of-school youth (\$196,000 DA). The three aspects of this component are information referral and counseling services for out-of-school youth; skills training and business development; and a private sector-led provincial training and employment fund to channel resources to employment generating activities for out-of-school youth. USAID is seeking private sector partnerships in each of these focus areas.

Education Policy Reform (\$550,000 DA). USAID will focus on the following areas:

- Establishing performance-based selection and promotion for teachers;
- Anti-corruption and policy reform in hiring, management, and procurement practices;
- Strengthening the capacity of both the central and ARMM Departments of Education, including in non-formal education;
- Improving standards for school accreditation, including for madaris; and
- Promoting the adoption by madaris of instruction in secular subjects.

The USG has engaged the GRP's Director General of the National Economic Development Authority to review activities and consult with ARMM authorities and other Mindanao stakeholders regarding education policy reform. USAID will implement the Education Policy Reform Program following the Director General's feedback.

#### **FY 2005 Program:**

Community-based learning (\$770,000 DA, \$1,822,000 ESF). USAID plans to continue to work to increase local-level learning opportunities in disadvantaged, conflict-affected communities, especially in the ARMM.

Teaching capacity in math, science, and English (\$1,180,000 DA; \$1,422,000 ESF). USAID plans to continue strengthening TEIs, as well as local-level teacher training programs.

Youth reintegration (\$1,036,000 ESF). USAID plans to continue to support referral and counseling services, skills training, and employment generation for out-of-school youth.

Education policy (\$1,050,000 DA, \$400,000 ESF). USAID intends to continue efforts to strengthen the institutional capacity of the central and ARMM Departments of Education, improve the supervision of non-formal education, and improve the quality and deployment of teachers.

**Performance and Results:** Collaboration with the Peace Corps and the Public Affairs Section of the Embassy resulted in Peace Corps volunteers teaching English to 20 teachers from conflict-affected areas in Mindanao in October 2003. The Peace Corps will lead additional teacher-training events in English, math and science for Mindanao teachers in early 2004 under a USAID/Peace Corps interagency agreement.

Education achievements under other programs that serve as the building blocks for this new program include:

- Providing public elementary and high schools in the ARMM with up to five computers each, as well as with, software, printer, local area network and Internet connection;
- Completion of the first Congressional Internship Program for Young Muslim Leaders (CIPYML) that provided the first group of ten college graduates and graduate students with practical knowledge and skills in policy analysis and program management, and gives them an understanding of institutional dynamics related to the legislative branch;
- Through The Asia Foundation (TAF), USAID monitors the Department of Education's procurement of text books to ensure their actual delivery in Philippine schools;
- In partnership with TAF, USAID distributes books donated by U.S. book publishers to schools and libraries in conflict-affected areas of Mindanao.

USAID is also soliciting public-private sector alliances with a variety of private sector counterparts, including corporations and business groups.

## US Financing in Thousands of Dollars

Philippines

492-011 Education	DA	ESF
<b>Through September 30, 2002</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Fiscal Year 2003</b>		
Obligations	0	0
Expenditures	0	0
<b>Through September 30, 2003</b>		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2004 NOA</b>		
Obligations	3,000	1,000
<b>Total Planned Fiscal Year 2004</b>		
Obligations	3,000	1,000
<b>Proposed Fiscal Year 2005 NOA</b>		
Obligations	3,000	4,680
Future Obligations	4,330	10,156
Est. Total Cost	10,330	15,836