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United States Agency for International
Development

PHILIPPINES

**BRIEFING
BOOK**

for

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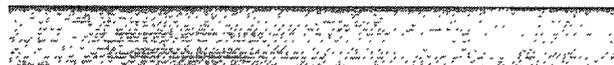


Table of Contents

- TAB A - U.S. Interests in the Philippines
- TAB B - The Philippine Development Challenge
- TAB C - USAID/Philippines 1997 Results Report and Resources Request (R4)
- TAB D - Economic Outlook Report
- TAB E - USAID/Philippines Regional Activities
- TAB F - USAID/Philippines Functional Organizational Chart

3/5/97

U.S. Interests in the Philippines

Strategic:

- ▶ Support a new U.S.-Philippine partnership based on commitment to human rights and democracy, mutual economic interest in an open trading system, and a common concern for global issues of environmental degradation, population growth, and the AIDS epidemic.
- ▶ The Philippines shares our language, history, and many of our political and economic structures. The country represents a flagship democracy in East and Southeast Asia, and a potential regional center for U.S. firms, linking them with the fast expanding economies of China, Taiwan, Indochina, Malaysia, and Indonesia.
- ▶ The large Philippine/American community is a potential asset.

Trade and Investment:

- ▶ Trade with the U.S. has grown more than two and a half times since 1990 with the Philippines importing about \$6.2 billion of U.S. exports in 1996, which is equivalent to about 20% of total Philippine imports. Prospects for 1996 and in the medium term point towards significant growth with military equipment, telecommunications and electrical power equipment as the important sectors for U.S.-made products and services. In particular, the enactment of the Armed Forces of the Philippines Modernization Plan will require imports estimated at \$11 billion over a 15-year period. Business opportunities also exist for pollution abatement technology, the use of cleaner fuels, and energy efficiency options.
- ▶ Tremendous trade opportunities exist for U.S. telecommunications companies as the GOP continues its efforts to liberalize the industry. U.S. equipment suppliers are well-positioned in the Philippine telecommunications industry supplying about 30% of total imports. In 1995 and 1996, total imports of telecommunications equipment amounted to \$2.6 billion, of which \$764 million was captured by U.S. firms. For 1997, the estimated total imports of telecommunications equipment from the U.S. is estimated at \$656 million. Further reform in the

telecommunications industry is expected to result in at least a \$2.25 billion opportunity for U.S. firms to supply new wirelines, new wireless lines, wireless cable, telco cable and test equipment in the next five years.

- ▶ In build-operate transfer activities, there are opportunities for U.S. firms to supply engineering services, equipment, and management services for operation and maintenance in power, transportation, water supply and solid waste management projects. In Mindanao, there are significant opportunities for agents and representatives of firms involved in fishing, telecommunications, trucking and shipping, agribusiness, and infrastructure.
- ▶ The U.S. is the largest foreign equity investor in the country. U.S. investments in cumulative terms since 1973 amounted to \$2.2 billion as of September 1996 accounting for a third of total foreign investments in the same period. With the Philippines' geographical location and a sizable English-speaking work force with considerable managerial talent and computer skills, many more large and small U.S. firms, as well as investors from the neighboring nations of Japan, Taiwan and Korea, are now exploring the possibilities of expanding their markets in this region and establishing regional headquarters in the country.

THE DEVELOPMENT CHALLENGE

The World Bank 1996 Social Indicators of Development shows the average annual percentage change of key development indicators for countries in East Asia and the Pacific from 1980 to present. This report captures much of the development challenge faced by the Philippines, including:

- ▶ An average population growth rate of 2.4 percent, which dropped only slightly to 2.32% in the 1995 Census, making it higher than almost all of Asia.
- ▶ A negative GNP per capita growth rate (-0.5 Percent) over this critical 15 year period, the heritage of the failed Marcos regime and an inward looking economy which has left over 40 percent of the population in poverty.
- ▶ The third lowest growth rate in private consumption per capita in the region after Mongolia and Papua New Guinea.
- ▶ A low savings rate that limits investment in infrastructure and human capital formation.

Although economic growth has accelerated recently, income distribution remains highly skewed. And while the economy is opening up to competition, international trade is still subjected to average protection rates of almost 30 percent.

In addition, the Philippines is a global top priority in almost every environmental category. Forest cover in the once densely-jungled Philippines is now down to 19 percent; fish catch is dropping rapidly as reefs and mangroves are destroyed; and this is the seventh ranking global warming hotspot in the world. Further, key institutions--e.g. the judiciary, police, and election machinery--share little public confidence. That sums up the challenges.

03/7/97(d:\trade.bb)



United States Agency for International Development

Results Review and Resources Request

USAID/Philippines

March 1, 1997

TABLE OF CONTENTS

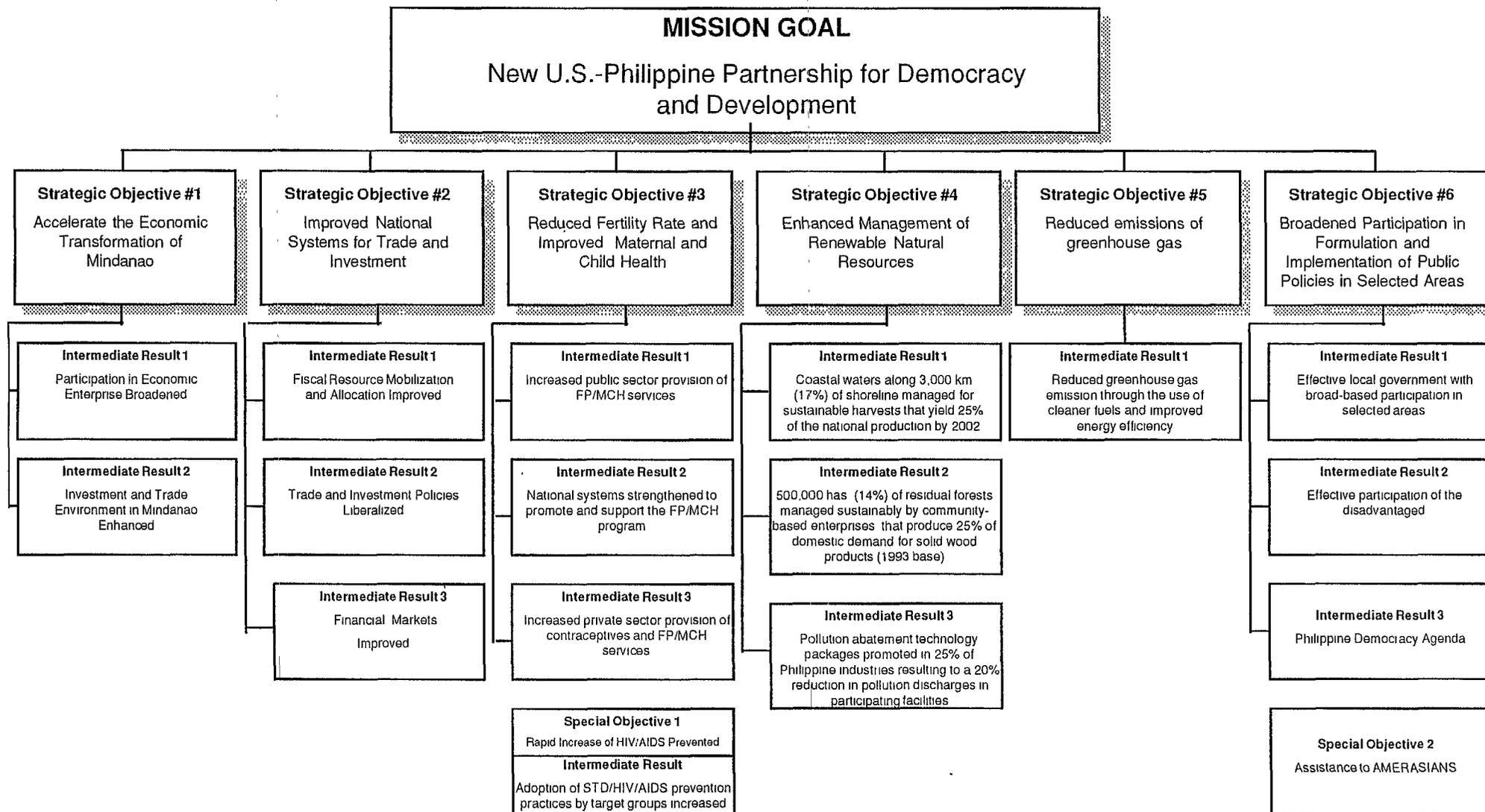
I. USAID/PHILIPPINES OBJECTIVE TREE

II. INTRODUCTION

III. PROGRESS TOWARD OBJECTIVES

A. SO 1: Accelerating Economic Transformation of Mindanao	3
B. SO 2: Improved National Policies in Trade and Investment	8
C. SO 3: Reduced Fertility Rate and Improved Maternal and Child Health	14
D. SO 4: Enhanced Management of Renewable Natural Resources	19
E. SO 5: Reduced Emission of Green House Gasses	24
F. SO 6: Broadened Participation in the Formulation and Implementation of Public Policies in Selected Areas	28
G. SpO 1: Rapid Increase of HIV/AIDS Prevented	35
H. SpO 2: Assistance to Amerasians	39

USAID/PHILIPPINES OBJECTIVE TREE



PART I: INTRODUCTION

Two years ago, USAID/Philippines joined the Government of the Philippines (GOP) in an ambitious plan to put the nation on the path of becoming the first "democratic" newly industrialized country in East Asia. That plan is rapidly becoming a reality. This plan lies at the core of USAID's development strategy in the Philippines which stresses economic growth with equity, integrated family planning and maternal/child health, sustainable management of the environment and broadened citizen participation in Philippine democracy.

The plan builds upon a base of vital economic and administrative reforms, some initiated during the Aquino administration, but many others implemented more recently. The goal of the plan is to establish the Philippines as a "newly industrialized country" by the year 2000.

Hosting the 1996 Asia-Pacific Economic Cooperation (APEC) Summit meeting provided the Philippines with an opportunity to showcase the enormous strides it has made in recent years. This year, the "tiger cub" economy roared with an economic growth rate of 6.8 percent. International headlines such as "*The Next Asian Tiger?*" (*Newsweek*, November 17, 1996), have displaced press reports about ten-hour brownouts, natural disasters, and coup attempts.

In November, 1996 a New York Times editorial noted that the Philippines has confounded some of its most ardent and eloquent critics:

In 1992, Mr. Lee [Kuan Yew], the most articulate proponent of Asian values, called the Philippines a "sick man" and recommended more discipline and less democracy. This year, the Philippines, more democratic than ever, is growing faster than Singapore.

But the good news has spread beyond the economy to include the political and social sectors. The Ramos administration has defied the naysayers, simultaneously pursuing economic reform while strengthening the nation's democratic institutions and negotiating a peace accord with Muslim rebels. In Mindanao and other rural areas, impoverished individuals living in war zones are now beginning to take control over their land and water, turning their energies toward protecting their environment and their livelihoods, sometimes in concert with national coalitions of disadvantaged groups.

On the social front, the Philippine Department of Health (DOH) is meeting its family planning and health goals and is now taking steps towards ensuring sustainability in its programs. This is happening despite having to cope with opposition from the Catholic Church and more conservative members of Philippine society. In contrast to some of

its neighbors, the Philippines has acted quickly to confront the Acquired Immune Deficiency Syndrome (AIDS) epidemic, and consequently Human Immuno-deficiency Virus (HIV) seroprevalence rate among high-risk groups remains below the one percent level.

The recent economic, political and social progress is increasing national self confidence and consequently, the Philippines presence on the international stage is growing. Apart from hosting the APEC summit, the GOP serves as Co-chair of the "Group of 77," developing countries which signed the U.N. Framework Convention on Global Climate Change. The GOP has taken a high-profile stand on issues of interest to the U.S., including information technology and telecommunications. This year Manila hosted the Asian Symposium on Elections, and will be the seat of an association of Asian election administrators. In addition, the non-governmental organizations (NGO) leaders (and sometimes government officials) from other countries in Asia often attend Philippine training institutes and attempt to learn from Philippine models of NGO financing, management, and regulation.

With electrical brownouts a thing of the past, the Department of Energy (DOE) and leading power companies have turned their attention to the environmental dimensions of power generation and are seeking to mobilize private funds to finance clean energy technology. Unlike other countries which have relied upon national parks or private development to protect forests, the GOP has accepted community-based forest management as the national strategy for preserving the country's residual forest lands, and is making that policy a reality by putting 374,000 hectares under Community Forestry Management (CBFM) Agreements or Certificates of Ancestral Domain.

Despite this good news, the Philippines faces some profound challenges to maintaining its current pace of development. In May 1998, nationwide elections will result in a new President, a new national Congress and a new cadre of local government leaders. (Since many leaders are facing term limit restrictions, these elections promise to bring dramatic change to the Philippine political scene.) The elections pose numerous challenges: 1) meeting existing commitments to reform, which typically inflict pain on influential interest groups, will become more difficult as the election draws closer; 2) powerful forces will be unleashed that will press for past reforms to be rolled back in exchange for commitments of political support in the elections; and 3) politicians may be tempted to make many promises to the disadvantaged that they can not fulfill, thus increasing already high levels of alienation and discontent in the months following the election. If the Philippines is to continue on its current path of development the winners of the 1998 election must commit themselves to further broadening economic and political participation, take additional actions to protect its environment and expand access to social services, particularly health services.

PART II: PROGRESS TOWARD OBJECTIVES

STRATEGIC OBJECTIVE NO. 1 ACCELERATING THE ECONOMIC TRANSFORMATION OF MINDANAO

Performance Analysis

USAID/Philippines's Strategic Objective No. 1 -- *Accelerating the Economic Transformation of Mindanao* -- is very ambitious. SO 1 activities are helping bring about a significant and lasting transformation of the island -- from serving as an impoverished supplier of primary products and a perennial under-contributor to national productivity; to becoming one of the most productive Philippine regions, with a standard of living at least as high as the national average. SO 1 incorporates several related sub-objectives. These include enabling large numbers of marginal farm/fishing families to substantially increase their incomes (or obtain non-farm employment); linking Mindanao suppliers to international export markets; and promoting a significant and steady increase in production of higher value products.

The Mission proposes to modify the wording of Strategic Objective No. 1, and to use slightly different indicators than those reported in last year's R4. The wording of the SO changes from "*Bringing About Broad-based Economic Growth in Mindanao*" to "*Accelerating the Economic Transformation of Mindanao*". This wording and the new SO-level indicators more accurately reflects exactly what it is attempted through SO 1. **No significant changes, however, are being made in the activities under the SO.**

As reflected by the indicators, progress made against the SO was excellent and, for the most part, fully met expectations. Growth in employment (252,000 new jobs vs. target of 250,000), and in the total value of higher value products shipped from Mindanao (\$6.9 billion vs. target of \$6.0 billion) were both well above targets for the year. Performance as measured by the third indicator - value of direct exports from Mindanao - was not as encouraging. Actual results - \$1.33 billion - were slightly below the target of \$1.4 billion. (This was primarily due to the decline in prices for pineapple, and the sizable loss of European markets for Philippines bananas). Because progress made to date is satisfactory, the Mission has no plans for major corrections of any of the activities we are carrying out in our attempt to attain the SO. However, with the "outbreak of peace" in those parts of Mindanao suffering from intense and long-duration armed conflict (between Muslim separatists and the Philippine Armed Forces), significant opportunities are emerging to help build a lasting peace. The Mission intends to try to greatly expand and intensify activities in the newly-created Zone of Peace and Development (ZOPAD).

GEM's 1996 Gems

Development aid programs that dole out money towards good causes rarely have the means - and sometimes, not even the intention - of ensuring that it is used wisely and efficiently. But a programma in Mindanao funded by the United States Agency for International Development is determinedly different. Bearing the somewhat grandiloquent name of "Growth with Equity in Mindanao," (GEM) the five-year \$20 million project is living up to its objective . . . of being a catalyst in the Philippine island's economic development. Reason: The GEM programma is run like a tight business operation by a private contractor. To make profits from its contract with USAID, the American firm Louis Berger International must meet stringent performance criteria and specific fiscal targets; it is penalized for failure. As a result, the company approaches its task - matching local businessmen with outside investors, assisting entrepreneurs in new ventures, and getting fresh capital into Mindanao - with capitalist fervor, rather than missionary zeal.

Not surprisingly, the GEM staff is highly motivated - and the programma beneficiaries are delighted. Roland Sempio, branch manager of Waterjet Shipping Corp., a Filipino-Malaysian joint venture, gives the GEM team much of the credit for his company's creation. "Those GEM guys did the market studies and led us through the bureaucratic maze," helping secure the necessary permits quickly. GEM staff helped secure permits for Mindanao Express, an air-shuttle service that started operations in September. When required, GEM plays matchmaker between foreign investors and local business - as it did for a joint venture to process alcohol from rice husk between the Italian firm Societa Italiano del Furfurolo and a Mindanao rice mill.

GEM helped Filipina-American Celia Donahue broker the purchase by a Malaysian company of a ferro-alloy plant in Mindanao. "Those GEM workaholics set me up with all the contacts I needed, and attended to every detail I needed to close this deal." GEM's expertise has also proved valuable to established businessmen like Felipe Dy, who operates a state-of-the-art metal-casting plant in Mindanao. "They've been a big help in giving me options for bank financing, and even in such things as preparing my company brochures."

GEM doesn't only serve large and medium-sized Mindanao businesses. "The 'equity' in the name means we're focusing on farmers and small enterprises," says GEM's deputy chief Antonio Peralta. Among GEM's staff is Alfonso Magbanua, a former college professor who roams Mindanao's backwoods, organizing farmers to set up cooperative plantations and helping them secure contract growing deals with millers.

GEM is helping clean up Mindanao's image as a hotbed of Muslim insurgencies and kidnapping syndicates. "Mindanao's problem is the perception that it's not a safe place to do business," says USAID official (Robert) Barnes. "But every time GEM announces the arrival of new investment, it chips away at that perception," he adds.

Excerpts from R. Tiglao, "AID With Strings, Unusual U.S.- Funded Scheme Gets Results" in *Far Eastern Economic Review*, November 26, 1996, pp. 77-78

Activities under SO 1 fall under two Intermediate Results. IR 1 aims at bringing about "Expanded Participation of Mindanao's Lower Income Groups in More Productive Activities." IR 2 aims at bringing about an "Improved Trade and Investment Environment in Mindanao." Activities carried out under IR 1 are intended to help large

numbers of marginal farm/fishing families to substantially increase the income they receive from those occupations, and/or to create large numbers of new employment opportunities for members of those families. Activities under IR 2 are intended to help create an environment that will facilitate a significant increase in the production of higher value products in Mindanao, and a significant increase in direct export of Mindanao's products.

Particularly notable accomplishments under IR 1 included:

- facilitating investment in new enterprises, or in the expansion of established enterprises, that has resulted in the creation of approximately 8,100 new jobs (and which, potentially, will result in an additional 25,000 jobs within 3-5 years).
- assisting approximately 9,300 farm/fishing families to obtain access to more lucrative markets and/or to gain greater returns from servicing existing markets. Assistance provided was some combination of: identifying contract farming opportunities and assisting in negotiating these arrangements (3,050 farmers benefit); identifying markets for products and assisting in brokering sales agreements (7,390 farmers/fishermen benefit); arranging/providing training in production techniques for new or more lucrative products (3,560 farmers/fishermen benefit). Average increase in income for farmers/fishermen assisted is estimated at 160%. *Of the principal beneficiaries, an estimated 24 percent were female, and 19 percent Muslim or indigenous.*

Particularly notable accomplishments under IR 2 included:

USAID Opens Mindanao to Trade

On July 3, 1996, Administrator Brian Atwood inaugurated the new General Santos City Airport. Within a period of six months, air passenger and cargo traffic through the airport increased significantly, indicating the strong impetus that the airport is giving to economic activities in the area. Air passenger traffic for the period July to December 1996 was 58,891, 42% higher than the 41,548 passengers recorded during the same period in 1995. Air cargo traffic registered an even more remarkable increase of 200% from the July to December 1995 level of 504,269 tons to 1,509,308 tons during the same period in 1996.

-
- carrying out and/or supporting analysis and advocacy activities that resulted in Mindanao's share of the national infrastructure budget reaching 22.6% in 1996 - more than double Mindanao's historical average share of 11%.

- assisting in the initiation of the "Mindanao Express" Air Service, the first intra-Mindanao scheduled air service. Mindanao Express' inaugural flight occurred on 14 September 1996. It is currently providing scheduled service between six cities in Mindanao. Mindanao Express is a subsidiary of Corporate Air, a U.S. firm.
- providing key assistance needed for the establishment of telecommunications businesses in 14 areas of Mindanao not covered by the major telecommunications service providers. These firms, among them, will be providing 10,100 new telephone lines. These lines are in addition to the 103,000 new lines installed by the major telecommunications companies in 1996 in Mindanao.
- changing the probable outcome of a major and highly emotionally charged debate on "food security" from "more regulation of food imports and exports" to the more sensible outcome of "greater investment in infrastructure in Mindanao" as a solution to food security problems.

Expected Progress through FY 1999 and Management Actions

As indicated above, USAID/Philippines is generally satisfied with progress being made against our Strategic Objective No. 1. The GEM Program, -- building upon the recently completed infrastructure projects -- has produced the results we hoped they would produce during the period. That they have produced the anticipated results suggests that the approaches being followed and the particular efforts being made are generally appropriate. In the case of the GEM Program, we anticipate continuation of the same types of activities, and utilization of the same approaches during the next two fiscal years.

"Come see for yourself"

"Our growth in the next 10 to 15 years will come from agriculture. That's our comparative advantage. We are not ready today to go into microchip manufacturing. That may be a good strategy, but it is not meaningful to the very large number of (farmers) in the island. We are no longer just the food supplier of the Philippines. We are now potentially a manufacturing base for Philippine companies interested not only in the Mindanao market but EAGA's 42 million people and the 288 million people in the rest of ASEAN. Don't take my word for it. Come to Mindanao and see for yourself."

Paul Dominguez, Presidential Assistant for Mindanao, Chairman of the Mindanao Economic Council and principal partner for SO 1 as quoted in *Asiaweek*, February 14, 1997.

While the Mission is generally satisfied with progress being made under the GEM Program, as indicated above, we believe the signing in 1996 of the peace agreement between the GOP and the MNLF, and the concomitant creation of ZOPAD, have brought with them the opportunity to make real progress toward ending the historical

conflict between the Christian majority and the Muslim minority in Mindanao. USAID/Philippines believes the key to this progress is real economic growth in the Muslim areas of Mindanao, and SO 1 is in position to make a contribution toward that economic growth. USAID has been providing a sizable amount of assistance to the Muslim community for the past 18 months. Good progress is being made in the activities already underway in the ZOPAD, such as the introduction/expansion of seaweed production/crab farming/tree cropping; improvement and expansion of transportation links, and establishment and institutionalization of chambers of commerce, and much more is clearly possible.

The Mission also anticipates that FY 1997 will see the full implementation of the microenterprise support element of the Strategic Objective. The principal activity under that element - the Microenterprise Access to Banking Services/Mindanao (MABS-M) Program will get underway in the Summer of 1997.

**STRATEGIC OBJECTIVE NO. 2
IMPROVED NATIONAL SYSTEMS FOR TRADE AND INVESTMENT**

"The turnaround of your economy truly serves as an inspiration for the American people. We consider our relationship with the Philippines so important and we have taken special pleasure in seeing the growth you have."

-- President Bill Clinton, during a meeting with President Ramos during the APEC summit, Philippines Daily Inquirer, 11/25/1996

Performance Analysis

The year of Asia's new tiger cub and of the APEC summit in Manila was expectedly a favorable one for SO 2. The 1996 economic growth program under SO 2 performed well in terms of expected results indicators and the policy agenda.

Performance at the SO level is attributed to continued reform progress during the year and to the fact that there was no significant backtracking. SO level performance shows that the GOP is starting to realize gains from the major trade, investment and foreign exchange regime reforms implemented in the early 1990s with encouragement and support from the U.S.-led Multilateral Assistance Initiative.

SO 2 Indicators	Year	Planned	Actual
Indicator 1: Ratio of gross domestic capital formation to gross domestic product (%)	1995	25.0	22.2
	1996	25.0	24.9
Indicator 2: Ratio of total exports plus imports to gross domestic product (%)	1995	79	80
	1996	81	98
Indicator 3: Ratio of tax revenues to gross domestic product (%)	1995	17.4	16.3
	1996	18.0	16.8
IR 2, Indicator 1: Effective Protection Rate average for all sectors using price comparison method (%)	1995	29	29.82
	1996	27	25.45

Note: The price comparison method for Effective Protection Rate (EPR) estimation takes into account the effect of both tariffs and quotas.

Sources of basic data: National Statistical Coordination Board for national accounts data, Department of Finance for tax revenues, and Dr. R. Manasan for EPR estimates.

The capital formation indicator's performance reflects increasing investor confidence in the economy. Investment growth has been a driving force in GDP growth. The trade openness indicator shows the effects of import liberalization and the double-digit export growth which were attained at a time when export growth rates

USAID and the Philippine Capital Markets

Technical assistance was instrumental in obtaining all of the following results in the Philippine capital market. In 1996 the SEC shifted from a merit regulation policy to a full disclosure regime thereby significantly reducing inappropriate SEC interventions in the capital market. The SEC now has complete and systematic information on publicly-traded companies and contemporary regulations governing broker/dealers and establishing a full disclosure program; and it is now equipped with full disclosure regulations and procedures for conducting reviews of full disclosure filings. The SEC granted the Philippine Stock Exchange (PSE) Self-regulating Organization (SRO) status. The PSE is using a USAID-assisted surveillance system to monitor the market for insider trading and to detect anomalies in the market. The SEC issued a provisional operation license to the Philippine Central Depository, Inc. (PCDI) in December, 1996.

USAID provided technical assistance for drafting new regulations governing brokers and dealers' responsibilities in a full disclosure regime; provided oversight for development of the Central Depository; designed new systems and manuals; trained SEC staff for new oversight responsibilities and use of new computer systems. USAID also assisted the Department of Finance (DOF) to address legislative, regulatory and tax issues to support capital market expansion and to implement institutional improvements in the SEC.

USAID consultants, working with the SEC, identified the need for and drafted two critical bills for capital markets reform: The Securities Regulation and Enforcement Act (SREA) and the Revised Investment Company Act. USAID also provided technical assistance to the Capital Markets Development Council to draft and support passage of a bill to exempt investors' gains on redemption of mutual fund shares. Under the current tax regime, mutual funds are moribund in the Philippines. The three bills are pending in Congress. They are strongly supported by the DOF and are expected to be passed in 1997.

The stock market in the past three years has dominated the expansion of nonbank financial activity. Market capitalization rose from \$40 billion at end-1993 to \$80 billion in June 1996. The deepening of the stock market reflected an acceleration in the number of initial public offerings (IPOs) which increased the number of listed companies from 95 at end-1993 to 212 at end-1996. IPOs shares bought by foreign investors accounted for about one-third of the total turnover during the last two years. Although there were only 13 IPOs in 1996 compared to 16 in 1995, total turnover in 1996 zoomed to \$25.5 billion, a 76% increase from the 1995 level of \$14.5 billion.

of many Asian countries were single digit or even declining. The tax effort indicator reflects some improvement. This indicator's performance masks significant differences in performance between two major GOP tax revenue collection agencies, the Bureau of Customs (BOC) and the Bureau of Internal Revenue (BIR). The former's

collections fell in 1996 because of tariff reductions while BIR real revenues increased by 14.6%, almost three times the growth rate of real GDP (5%).

· At the IR level, the Mission achieved the most significant progress in improving financial markets (IR 3). USAID's support for capital market development and institutional reforms has resulted in significant qualitative changes in the way the Securities and Exchange Commission (SEC) conducts its business. A progressive minded and more technically capable SEC is now monitoring and starting to enforce regulations and standards in the Philippine equities market, ensuring transparency in trading for initial public offerings.

· In the area of trade and investment liberalization, the results as shown below have been mainly positive:

- USAID cumulative assistance to the GOP in trade reform has resulted in further and faster than targeted reduction in effective protection. Based on a study commissioned by USAID to calculate EPRs (a measure of protection of local producers from international competition), the average EPR for 1996 is estimated to be 25.45 %, lower than the targeted 27 %. USAID was also instrumental in helping the GOP to implement General Agreement on Tariffs and Trade (GATT)-World Trade Organization (WTO) commitments to eliminate more quantitative restrictions (QRs) and to replace the home consumption value as a basis for import valuation to a transactions value system.

- USAID technical assistance, working in collaboration with the Department of Agriculture, supported enactment of a measure to abolish QRs and repeal laws or provisions of laws granting government agencies the power to impose licensing regulations, bans and prohibitions; Executive Order (EO) 313 issued in March 1996 replaced a set of QRs with a two-tier tariff rate system for a specific set of "sensitive" agricultural products, except for rice which remains subject to a quota, and EO 388 reduced tariffs on selected agribusiness inputs.

Opportunities for U.S. Business in the Philippines

Trade with the U.S. has grown more than two and a half times since 1990 ,with the Philippines importing about \$6.2 billion of U.S. exports in 1996, the equivalent of about 20% of total Philippine imports. Prospects for 1997 and the medium term point towards significant growth with telecommunications and electrical power equipment as important sectors for U.S.-made products and services. Business opportunities also exist for pollution abatement technology, the use of cleaner fuels, and energy efficiency options.

Tremendous opportunities exist for U.S. telecommunications companies as the GOP continues its efforts to liberalize the industry. U.S. equipment suppliers are well-positioned in the Philippine telecommunications industry supplying about 30% of total imports. In 1995 and 1996, total imports of telecommunications equipment amounted to \$2.6 billion, of which \$764 million was captured by U.S. firms. For 1997, the estimated total imports of telecommunications equipment from the U.S. is estimated at \$656 million. In the medium term, the telecommunications industry is expected to require 3.1 million new wirelines or a \$5 billion opportunity (estimated U.S. market share is 30%); one million new wireless lines or a \$1 billion opportunity (estimated U.S. market share is 50%); and wireless cable, telco cable and test equipment for a \$500 million opportunity (estimated U.S. market share is 50%). In build-operate-transfer activities, there are opportunities for U.S. firms to supply engineering services, equipment, and management services for operation and maintenance in power, transportation, water supply and solid waste management projects. In Mindanao,

there are significant opportunities for agents and representatives of firms involved in fishing, telecommunications, trucking and shipping, agribusiness, and infrastructure.

The U.S. is the largest foreign equity investor in the country. U.S. investments in cumulative terms since 1973 amounted to \$2.2 billion as of September 1996, accounting for about a third of total foreign investments in the same period. With the Philippines' geographical location and a sizable English-speaking work force with considerable managerial talent and computer skills, many more large and small U.S. firms, as well as investors from the neighboring nations of Japan, Taiwan and Korea, are now exploring the possibilities of expanding their markets in this region and establishing regional headquarters in the country.

· For the intermediate result of fiscal resource mobilization (IR 1), the following activities and results took place:

- USAID assisted in the formulation of policy recommendations for the CTRP to facilitate tax collection efficiency and improve tax progressivity. A section of the CTRP on excise taxes was passed in 1996. The CTRP legislative process is well advanced and the bill should be passed in 1997.

- USAID-funded technical assistance to the GOP tax administration system (BIR) caused audit closings to increase by 47% between 1995 and 1996 and average assessment per case to increase by 65%. Although a benchmark estimate was made for collection of delinquent tax receivables, subsequent work indicated that the BIR has not been collecting delinquent taxes. However, two pilot collection activities were initiated in August, 1996. Starting with an inactive delinquent tax collection system USAID consultants working with the BIR eliminated about 8,000 unproductive collection cases (96% of the inventory) from the two pilot districts' inventory as being too old and/or too small to warrant effort. Monthly collection closings rose from three in November to about 30 in February, 1997, for a total of 56 cases closed with a total value of about \$40,000. Fifty-six cases closed out of the 341 cases in the original productive inventory is a delinquent tax collection ratio of 16.4%.

· With USAID technical assistance for setting up build-operate-transfer (BOT) mechanisms and BOT implementation, the BOT Program continues to help equalize investment opportunities for U.S. business as it diversifies into transportation, environmental and municipal projects.

- As of end 1996, the GOP reported a total portfolio of BOT projects amounting to \$20.8 billion. Of this portfolio, 44 projects with an estimated cost of \$8.5 billion have been awarded or completed. The remainder of \$12.3 billion in prospective projects are planned to be contracted through public bidding, unsolicited proposal or joint venture. Of the total amount of projects awarded or completed (\$8.5 billion); the U.S. business share is estimated to be \$1.33 billion as of end-1996 or 15.6%. Japan's business share is estimated at \$898 million or 10.6%.

- After gaining reputation in Asia for its BOT programs in power projects, the GOP is again taking pioneering steps in BOT programs. Of the total BOT portfolio of \$20.8 billion, 41% is accounted for by non-power projects: \$3.7 billion in transportation, \$2 billion in toll roads and \$2.8 billion in other sectors.

Expected Progress Through FY 1999 and Management Actions

USAID expects to continue to support important GOP policy initiatives in 1997. USAID's 1997 policy agenda will support GOP efforts to:

- enable fulfillment of WTO commitments and to implement measures beyond these commitments in line with APEC initiatives: include the sensitive products of corn, beef, sugar, refrigeration equipment and freezers in its pledge to lower tariffs to a uniform 5% by 2004; extend the 5% uniform tariff goal to include semi-finished products, semi-processed products and raw materials in the tariff reduction schedules (some tariffs remain as high as 30 percent), reduce tariffs on the major inputs (corn and other feed grains) to the pork and poultry industries.
- liberalize further the investment regime and conform with international standards and practices in line with APEC initiatives: open the retail trade sector to foreign direct investment; establish the legal, regulatory and policy framework that will allow the conduct of business electronically; improve telecommunications interconnection; support passage of legislation to improve intellectual property rights protection and enforcement of such legislation; complete adoption of regulatory framework for self-regulation at the Philippine Stock Exchange; and increase inter-coastal shipping competition.
- meet the objectives of Comprehensive Tax Reform as encouraged by the donors and the IMF: (1) support passage of the third phase of the Comprehensive Tax Reform Package; and (2) initiate improved systems for collection of legally owed taxes in pilot collection activities.

To help ensure equal opportunities for U.S. business in the future, USAID plans to continue assistance to the GOP to implement diversification of its BOT programs, particularly for transportation, information technology, environment, and municipal government projects.

It is anticipated that the Philippine political environment for achieving policy modification will become more difficult in 1997 and especially 1998, as elected officials in the legislative and executive branches turn their attention to the 1998 elections. Nevertheless, USAID/Philippines expects to achieve reasonable progress in policy reform for several reasons. First, the USAID policy reform agenda is a part of the agenda of key GOP policy makers. Second, many of the changes do not require major legislative action. Third, a number of USAID efforts is reinforced by outside forces that create pressure for change, e.g., technological change and international commitments and agreements to reduce trade and investment barriers. Fourth, USAID's Philippine development partners in the trade and investment area are becoming increasingly organized and effective in obtaining policy change.

To improve the chances of advancing policy and institutional change, USAID will continue to work closely with like-minded institutions and groups, to identify and develop constituencies for change, and to support production of analytical materials to compliment advocacy efforts. USAID will collaborate with exporters, chambers of commerce, the Export Development Council and the Department of Trade and

Industry to obtain reforms in trade and investment. USAID will work with exporters and the Philippine computer and recording industries on intellectual property rights reform and enforcement, and with telecommunications companies, Department of Transportation and Communication and the NTC for continuation of telecommunications reform. USAID will also continue to link Philippine telecom liberalization with influential outside elements such as the WTO and actions by the U.S. Federal Communications Commission.

At the same time, USAID will continue to assist GOP counterparts to improve implementation of existing policies. Hence, USAID, at the BIR's request, will assist this agency to capitalize on the World Bank computerization activity to increase the pace of systemic change in tax administration. USAID will use its sound working relationships with the NTC and with the revitalized SEC to assist these agencies to implement aspects of policy reforms. USAID will just be starting in 1997 to assist the National Credit Council to rationalize GOP credit programs and improve policies affecting the provision of financial services to lower income groups. A new financial sector policy reform effort is strongly supported by key policy makers in the DOF.

Similarly, USAID will initiate an effort this year to help the DOF improve its fiscal policy analysis abilities, and to develop new build-operate-transfer schemes in collaboration with the Coordinating Council for the Philippine Assistance Program.

USAID/Philippines plans to complete consolidation of the SO 2 portfolio of activities in 1997 in support of GOP policy initiatives, to help the GOP undertake activities within the WTO and APEC frameworks, and to prepare for the next administration's economic program and policy agenda. Among other initiatives, the Mission expects to start working with the GOP on the WTO Information Technology Agreement (intended to reduce tariffs on high technology products to zero) and the WTO Financial Services Agreement; on enhancing industrial relations to increase labor flexibility and help Philippine industry adapt to a more open trade and finance policy regime; on improving anti-trust measures and their enforcement; on analysis of the economic costs of high protection for sugar; and on shortening the five year transition process from the HCV to a transactions value system.

**STRATEGIC OBJECTIVE NO. 3
REDUCED FERTILITY AND IMPROVED MATERNAL AND CHILD HEALTH**

Performance Analysis

The SO framework was refined to include, more clearly, emphasis on quality and sustainability, based on the R-4 review and recommendations last year. An SO Agreement was negotiated and signed with the GOP in August 1996 and a detailed "life-of-program" Results Framework was developed and finalized in September 1996, in close cooperation and consultation with our stakeholders and partner agencies.

Results from customer surveys and other assessments of SO activities indicate that virtually all key 1996 benchmark and indicator targets were met or exceeded, reconfirming the validity of the strategic framework and placing SO 3 and the Philippines Family Planning/Maternal Child Health (FP/MCH) Program more firmly on the path towards attaining the goals set for the year 2000.

<i>Indicator</i>	<i>Planned 1996</i>	<i>Actual 1996</i>
Contraceptive Prevalence Rate	--	
- All Methods	44.5%	48.1%
- Modern Methods	29.7%	30.2%
Infant Mortality Rate	52.9	48.9 (95)
High Risk Births	60.0%	59.2%

The 1995 infant mortality rate is even lower than the SO goal of 49.0 for the year 2000 and reflects the commitment and high priority given to child survival activities by the GOP. If the above trends continue, both the GOP and the Mission are confident that the SO 3 goals for the year 2000 will be fully met or even exceeded.

Other notable developments and accomplishments since the R-4 review last year include:

- Interest among LGUs for participation in the FP/MCH performance-based program remains high. Nineteen more LGUs were enrolled in 1996. To date, eighteen are requesting to join in 1997.
- Preliminary results from the 1995 Population and Housing Census, released by the National Statistics Organization of the Philippines (NSO), show that annual population growth rate has barely declined from 2.35% in 1990 to 2.32% in 1995.

However, based on births recorded, NSO estimates that the total fertility rate might have declined from 4.1 in 1993 to 3.8 in 1995. (The official reporting of this indicator is not due until 1998 and must be confirmed by the 1998 Demographic and Health Survey (DHS), which is the approved mechanism for tracking this key indicator.)

- Results from the 1996 Annual FP Rider Survey show that private sector provision of FP services has increased from 18.2% in 1995 to 23.9% in 1996. Although this is below the 1996 target of 30%, the increase is a welcome reversal of the decline witnessed in recent years and reflects the positive effects of restructuring initiated by USAID in 1996 to improve private sector (including NGO) performance and results.

- A major breakthrough in program sustainability was achieved in April 1996 when the DOH assumed full responsibility for the clearance and distribution of contraceptives nationwide, a task performed by CARE/Philippines until then with funds provided by USAID.

- A new competency-based and integrated FP/reproductive health training strategy, with a focus on quality and customer-oriented service, was developed and approved for implementation in December 1996. The strategy represents a major innovation for improving the quality of services because service providers will no longer be certified until and unless they meet prescribed performance standards and quality criteria, including skills in customer-oriented information, education and counseling services. If successful, the competency-based training could become a model throughout the region and, perhaps, elsewhere in the world.

- A comprehensive and forward-looking National Family Planning Strategy, 1996-2000, was developed and approved by the DOH and USAID, with the active involvement and participation of all stakeholders and partner agencies, including the United Nations Fund for Population Activities (UNFPA), a major donor. The strategy recognizes, for the first time, the crucial importance and need for "market segmentation" to guide future delivery of FP/MCH services. If successfully implemented, the strategy will avoid duplication and competition in public and private sector services; promote greater private commercial sector participation by leveling the field for open market operations to meet the needs of the more affluent; encourage NGOs to expand services in areas where little or no subsidy will be needed; and, above all, allow the government to utilize its meager resources to provide free services to the genuinely poor and indigent, who are unable to pay for contraceptives or services. The strategy will vastly improve the effectiveness and efficiency of existing FP/MCH services and make them more self-sustaining.

- While coverage of fully immunized children remains high (well over the 80% limit prescribed by the World Health Organization), it appears to be declining (from 88% in 1994 to 86.4% in 1995). Devolution and decentralization of responsibility for

A Strategy for Sustainability

...Why should the government provide free or subsidized health and family planning services to those who can afford to pay for these services? We cannot and should not do that... For this reason, the Department of Health will implement a market segmentation strategy whereby we will adopt appropriate policies to enable the private commercial sector to expand services to meet the needs of the more affluent members of our society and, at the same time, encourage the NGOs to expand and operate in other areas where little or no subsidy will be needed... The market segmentation strategy will make NGOs more self-reliant and ensure long-term sustainability of health and family planning services in the country.....

(Excerpt from Secretary of Health Dr. Carmencita Noriega-Reodica's presentation at the August 1996 Donor Subgroup Meeting on Family Planning program sustainability)

health care services to LGUs without adequate preparation and concerns and publicity by interested groups about tetanus toxoid vaccines being laced with an abortifacient are among key factors which have contributed to the decline. Steps are, however, being taken to arrest and reverse this decline through additional information, education, and communication (IEC) support for national micronutrient days and USAID support for capacity development for local immunization programs through the LGU performance program.

On donor coordination, a donor subgroup on family planning program sustainability has been established under UNFPA auspices. USAID plays a key role in the subgroup. There are also plans to expand implementation of Common Agenda items with Japan from one province (Tarlac) to an entire region (Region III).

A number of surveys were conducted to gather feedback from customers and partners alike. The 1996 Family Planning Survey included 28,306 currently married women of reproductive age from 41,052 households and the participation of several partner agencies. Surveys of front line workers were conducted in preparation for the 1996 National Communications Campaign. Similarly, a survey of local government officials - both elected and permanent -- was conducted in June 1996 to measure their commitment and support for family planning programs. The survey showed a high degree of support for population management and family planning programs among both elected and permanent officials. An advocacy plan for front line workers and local family planning officials to convert this support into solid budgetary support for family planning has been developed by the national Commission on Population and will be implemented beginning in 1997. This should further enhance local sustainability of family planning and MCH programs.

Expected Progress Through FY 1999 and Management Actions

Family Planning Changes Lilia Justo's Life

Lilia Justo was 19 and in the final year of her training course in hotel and restaurant management when she fell in love with a fellow student and married him. She soon became pregnant and dropped out of school. She had two more children in quick succession when she realized that her husband's income as a waiter at one of the numerous motels just outside the gates of the former U.S. air force base (the Clark Air Force Base) in Angeles City was no longer sufficient to support the family.

Lilia went to her friend, Miriam Fejuto, a midwife at the Barangay Health Center in Villa Aglipay in her village, for advice. Since Lilia wanted no more children, Miriam suggested voluntary sterilization at a nearby private facility. However, Lilia was unable to pay the 3,000 Pesos (\$120) charged by the facility for the procedure. Consequently, Miriam, who was trained in IUD insertions, offered to insert one free of charge at the government Barangay Health Center.

That was in 1992 and life changed for Lilia, her husband, and her three children. She went back to her school and completed her diploma course. She began to work at another motel in Angeles and was in 1994 hired by an agency for work in Canada as an Overseas Contract Worker.

"Lilia now sends a lot of money to her husband and children, who continue to live in Angeles. The children are going to a very good school and they bought a new house in 1996. Lilia could never have dreamed of doing all of this if she had not consulted me for family planning advice in 1992. She has become a role model for our village and I often tell my clients how my IUD changed Lilia's life....."

- Miriam Fejuto, Midwife

As is evident from the foregoing section, SO 3 is clearly on target and is likely to achieve its stated goals within the time period set forth in the framework. However, a major imponderable is the 1998 Presidential and General Elections. After years of benign neglect by the Aquino administration, the Philippine Family Planning Program has only recently begun to recover with strong support and encouragement by President Ramos. By constitution, Ramos can not stand for a second term. Whether or not his successor will assign the same high priority for family planning, notwithstanding continuing strong opposition from the Catholic Church, will only be known after the elections.

Meanwhile, the three intermediate results under this SO are poised for further acceleration and rapid implementation. The revised national FP strategy (the competency-based and integrated training strategy and a management information system strategy to strengthen routine data collection and analysis for improved program monitoring and management) are all ready for implementation beginning in early 1997. The immediate challenges that remain are: (1) GOP funding for family

planning; and (2) private sector role in the provision of family planning and MCH services.

Through negotiations, the DOH has agreed to increase its budget for the central family planning service by 50% annually until the year 2000. Whether or not the Government will permit such dramatic and unprecedented increases in the allocations for family planning (despite the fact that even with such increases, the family planning budget is less than 0.3 % of the total DOH budget) immediately before and after the elections is unclear. The uncertainties surrounding the 1997 GOP budget only serve to heighten these concerns. Although assurances have been provided by the Secretary of Health that planned GOP budgetary commitments will be fully met, the budget process will have to be closely monitored by USAID.

Expanding the role of the private commercial and NGO sectors to provide 34 % of FP/MCH services by the Year 2000, as envisaged in the framework, calls for rapid and concerted implementation of the new national strategy adopted in 1996, including the market segmentation approach. A series of studies on needed legal and regulatory reforms and how the public sector can re-channel its efforts and resources to meet the needs of the poor and the indigent will be undertaken during 1997. Re-channeling public sector resources for the benefit of the needy and the indigent could raise potentially serious political questions for the government which heretofore is politically obliged to provide health services to all citizens. Similarly, the government's commitment to swiftly follow through with legal and regulatory reforms needed to level the playing field for the private sector, especially the private commercial sector, will have to be watched and nurtured carefully.

The Mission requests approval to extend the Integrated Family Planning and Maternal Health Program completion date by one year to February 2001 to coincide with the time frame set forth in the SO results framework. This will involve no change in the bilateral funding requirements.

The Mission intends to conduct a joint programming exercise with ANE and Global Bureau participation in 1998 to assess the SO's progress towards the year 2000 targets and to determine what additional assistance might be needed beyond that date. It is felt this exercise be undertaken after preliminary results from the 1998 DHS become available and after the General Elections to determine their impact on program strategies and future needs.

STRATEGIC OBJECTIVE NO. 4
ENHANCED MANAGEMENT OF RENEWABLE NATURAL RESOURCES

Performance Analysis

USAID has made excellent progress in all areas of the SO 4 portfolio in 1996. Strategic priorities for broad-based environmental issues have been established to meet management concerns of USAID, GOP, and local communities. Resource control and benefit flows are returning to communities because of USAID's cohesive environmental management program in coastal, forestry, industrial, and biodiversity areas.

Managing the Environmental Crisis

Success of USAID's environmental program can be attributed to its emphasis on applying "management approaches" to the complex issues that are driving environmental degradation. Aligning work around "common objectives" has enabled the Mission to choose between essential and non-essential activities as it manages the program with even fewer staff and resources. Synergy, integration, and strategic alliance are being established between USAID, contractors, GOP, donors, local government units, and NGOs to enhance results and reduce costs.

For example, by promoting 135 firms to conduct Pollution Management Appraisals (PMAs) and adopt pollution abatement measures, USAID helped to reduce pollution discharges (at participating firms) by 29% and increase investments in pollution abatement equipment by US\$2.36 millions this year alone. Likewise, through improved forest supervision and watershed management, upland soil erosion and, consequently, near-shore pollution, is reducing in critical areas. To date, the Mission's community-based forestry program has signed agreements to transfer tenure rights for more than 264,000 hectares to over 500 upland communities. The Mission's relatively new coastal activities are off to a good start.

Another strategic result is the environmentally-friendly "social fence" being created in the coastal and forest ecosystems through the community-based management approach which USAID promotes. This progress has regional and global significance since Philippines ranks as one of the world's richest area in terrestrial and marine species diversity.

In accordance with feedback from the last R4 review and the subsequent recommendations made by the USAID/Washington Indicators' Team in May/June 1996, the Mission is modifying its performance indicators and will begin reporting on the new framework in 1998. For this year, old SO level indicators show that Mission programs remain on target.

IR 1: Coastal Resources Management (CRM)

CRM performance is on track. Of the 22 municipalities and the associated 485 km of shoreline targeted to be initiated this year, we have actually initiated management in 29 municipalities covering 638 km of shorelines. Because a fully functioning management system requires three years to develop, the actual km of coastline completed is still 0, as expected.

Highlights of the Mission's achievement in 1996 include:

- *Drafted Memorandums of Agreements (MOAs) establishing commitments to coastal resources management in 29 municipalities in 6 provinces. These LGUs have allocated an average of 3% of their 1997 budgets for CRM activities.*
- *Expansion of community-based coastal resources management and low-tech research on seaweed, clam, and fish production by USAID-supported Siliman University's Center of Excellence in CRM, including cost-effective baseline data gathering in six CRM program learning sites in the Visayas and Mindanao.*
- *An increase in positive public perception of the Department of Environment and Natural Resources (DENR) for the first time, as well as an indication of a general increase in awareness of environmental issues, based on the Social Weather Station survey in 1996.*
- *Initial agreement with key donors and GOP to align major donor funding and loans with USAID's integrated CRM program, including an Asian Development Bank Fishery Sector II \$50 million loan program and the United Nations' new proposed coastal program.*
- *Mobilization as exemplified by a nation-wide coastal garbage and trash clean-up for all CRM target municipalities which resulted in greater LGU support and 1.1 million volunteer hours from the Navy, Army, and Coast Guard ROTCs, civic clubs, Boy/Girl Scouts, students and government workers.*

As the result of the successful initiation of the CRM program, customer satisfaction is evident. There has been heightened requests for inclusion of the program in provincial and municipal planning activities. Additional budgets are being allocated to CRM, both nationally and at the local level. The GOP has further requested the use of USAID/CRM's ideas for strategic coordination with other donors.

IR 2: Forestry Resources Management (FRM)

FRM has substantially met the 24 People's Organizations (POs) and 274,000 hectares of forest under community management targets for 1996. To date, GOP has signed

23 agreements with POs to transfer tenure rights for more than 264,000 hectares to over 500 upland communities. These POs, which have a 29% women membership, represent approximately 9,000 families that live in the uplands and directly depend upon the forests for their livelihood. Protection of the area's biodiversity is also enhanced since extraction activities are banned on approximately 10% of the area under community management.

The New Struggle -- Protecting the Forests

Several areas under Community-Based Forest Management Agreements are former hotbeds of guerrilla activity. Environmental degradation begat poverty, and poverty begat violence.

As communities take control over their resources, the lines of conflict shift to protecting forests from illegal logging. In areas under community-based forestry management (CBFM), illegal logging has virtually stopped, though at a price. Forest community members repeatedly have blocked roads leading from their CBFM sites to prevent the exit of illegal loggers' trucks, despite numerous threats, and even death. One community member in Ilagan, Isabela lost his life when he was shot and killed as he tried to put a halt to illegal logging.

The Department of Environment and Natural Resources (DENR) reported that in 1996, about 97% the identified 375 illegal-logging "hot spots" in the country have now been "neutralized", in large part due to these efforts by local communities.

Highlights of the Mission's achievement in 1996 include:

- Signing of Implementing Rules and Regulations (IRRs) for Executive Order 263 which resulted in the *simplification of procedures* for granting tenure, usufruct rights, and protection responsibilities to upland communities and the *transfer of responsibilities* for the enforcement of forestry laws and regulations (i.e. the suppression of fires and control of illegal logging) from central government to local provincial and municipal governments. These IRRs have significantly reduced the initial requirements imposed upon communities, and based on early indications, will lead to a rapid spread of CBFM.
- *Partnership and action planning is spreading* community-based forest management in 6 provinces, 1 city and 31 municipalities located in the country's poorest regions. Nine of these local governments have already committed 5.3 million pesos (over \$200,000) from their budgets to support the spread of community forest management.
- *Increased peace and order* in the uplands as a result of integrating rebel groups and other marginal and disenfranchised communities in areas of conflict into community-based approaches for forest management. In New Bataan, Davao del

Norte Province, former members of the New People's Army have been hired by the communities to serve as forest guards (see box above).

The program's partners and representatives from three local NGOs joined USAID in carrying out an assessment of the FRM component that is based on partner and customer experiences. Because of the assessment's participatory approach, and focus on customer feedback, the DENR has already begun to implement key recommendations such as re-aligning staffs and budgets to provide greater support for CBFM and establishing one office to oversee all donor- and GOP-funded CBFM efforts.

IR 3: Industrial Environmental Management (IEM)

IEM program has exceeded all performance targets for 1996. The actual percent of reduction in pollution discharge of firms participating in Pollution Management Appraisals (PMAs) is 29 percent compared with the target of 20 percent and the actual percent of firms adapting PMA technologies is 74 percent compared with the target of 50 percent. Participating industries invested \$9.4 million in pollution abatement equipment.

The program is now completed, but DENR is requesting an extension to strengthen the implementation of its Environmental Impact Statement System and hazardous waste management, and to sustain the pollution management appraisal program at the regional level. Design of a new municipal-industrial activity under CRM, and in collaboration with the US-AEP's Clean Technology Program, is underway.

Building Credibility and Trust

Through the provision of world-class technical and training assistance, USAID has developed a reputation as a provider of high quality assistance that is addressing critical GOP policy and legal issues related to the establishment of a natural gas industry, clean coal technology systems, renewable energy systems, and efficient power systems and end-use applications. Our intensive and strategically targeted activities have resulted in an exceptionally high level of credibility and trust with our host government and private sector counterparts.

Highlights of the Mission's achievement in 1996 include:

- *A national 1 percent reductions of industrial pollution -- biological oxygen demand (BOD) -- by the 135 firms that participated in PMAs and adopted recommendations on sound environmental practices.*
- *Savings of 37 million cubic meters of water or an equivalent of US \$8.9 million by companies involved in PMAs.*

An *internationally recognized industrial pollution database* which is raising interest and willingness of investors to be involved in pollution reduction and to consider purchases of "clean technologies".

Feedback on the IEM program has been extremely positive. Complimentary letters and informal reports have been received from many of the firms under the PMA program. Other donors are implementing USAID-supported policy studies in their project sites.

Expected Progress Through FY 1999 and Management Actions

The entire SO 4 portfolio is moving towards further integration. The new Municipal-Coastal Environmental Initiative (integrating, municipal and industrial environmental management), will be integrated in the CRM component, in collaboration with the US-AEP. These activities will further focus management efforts within the Philippines' coastal zone and institutionalize IEM in municipalities that are within CRM areas of operations, in collaboration with the US-AEP. The Mission may explore the need to address land-based pollution and its effects on coastal areas. CRM also is discussing possible areas of collaboration and linkages with the Mission's Governance and Local Democracy program under SO 6 to strengthen participation of community users.

In FRM, based on the results of the recent assessment, future activities will focus on clarifying the rights of the individuals within the PO organization, strengthening linkages between communities, DENR, and local governments, and developing PO linkages with organizations that provide training in basic business skills (critical for access to markets, technology and long-term business relationships). Assistance also will be provided to help the DENR restructure its operations to better support the spread of CBFM on a national scale.

At this time, the Mission does not foresee any significant obstacle to the achievement of its objectives in SO 4 within the original time period.

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**STRATEGIC OBJECTIVE NO. 5
REDUCED EMISSIONS OF GREENHOUSE GASSES (GHGs)**

Performance Analysis

USAID's Greenhouse Gases (GHG) mitigation program represents an excellent confluence of both U.S. government and GOP interests. The GOP needs critical support as it strives to maintain its momentum in power sector restructuring, privatization and the development of an indigenous natural gas industry. USAID has demonstrated it can meet the GOP's need for critical technical and training assistance, and through this earned considerable access to, and the confidence of, senior GOP decision makers. USAID's efforts have also moved the topic of global warming from the academic/ scientific arena into high-level discussions on national policy and program implementation. The confluence of environmental and commercial interests are the reasons for the strong support this program enjoys from the U.S. Embassy in Manila, and the U.S. Department of Energy.

1996 proved to be a year of great progress for the SO 5 portfolio. The SO 5 team completed and signed a Global Climate Change Mitigation Strategic Objective Agreement with the GOP, organized a steering committee to manage this SOAG, and outlined the range of assistance that would be provided under this agreement. This agreement establishes a broad and comprehensive strategy for helping the GOP confront the challenge of meeting future power demand while minimizing the growth of (GHG) emissions. The Steering Committee charged with managing this agreement consists of senior level executives from seven GOP energy sector related agencies, the country's largest private utility, and an association of private power producers and distributors.

In the past year, USAID specifically has:

- exposed and informed senior GOP and industry leaders to options for achieving energy goals. This has been achieved through study tours, participation in international conferences, and by bringing world-class consultants to work with the DOE here in the Philippines.
- helped the GOP build a computer model that it is now using to analyze and understand power costs derived from gas, coal and renewable fuels (geothermal and hydro), and associated power delivery systems in the context of economic, environmental, and other development constraints. This powerful tool will allow senior decision-makers to better understand the policy implications of present subsidies and laws and alternative policy options, and will help "level the playing field" for private sector investments of approximately US\$20 billion in the next decade for clean and

efficient power systems. Given the U.S. comparative advantage in clean energy technology, this is an exception investment opportunity for U.S. firms.

- provided high quality, internationally recognized, legal and financial assistance that has: (1) helped draft and incorporate provisions to the Omnibus Energy Bill that will form the legal basis for establishing an indigenous natural gas industry; and (2) helped draft and secure passage of the regulatory framework that enables electric utilities to recover their Demand Side Management (DSM) costs, including lost revenues and DSM incentives. To date, the lack of such a framework has constrained investment by electric utilities in electricity conservation programs.

As a result of USAID's combined efforts, senior decision makers today are more confident to push forward with the unbundling (generation, transmission, and distribution) and privatization of the government monopoly, National Power Corporation, and to negotiate and sign contracts for the development and supply of natural gas. These changes are creating significant investment and marketing opportunities for US businesses in the Philippine energy sector.

Other Mission's achievements in 1996 include:

- Preferred Energy Investments, a local NGO that USAID supports to demonstrate and commercialize renewable energy technologies, approved financing for two renewable energy projects, totaling 7.0 MW of cleaner generation capacity. This contributed to the achievement of the clean fuel indicator in the table below.

- Improved efficiency in electricity distribution by rural electric cooperatives (RECs) has resulted in an additional 22 MW of avoided generation capacity for a new total in 1996 of 56 MW. This contributed to the achievement of the energy efficiency indicator in table below.

- Assistance provided to the National Electrification Administration and three RECs will potentially avoid at least another 4 MW of additional generating capacity through reduced system losses.

In terms of the SO level indicators, USAID substantively met or exceeded all targets established for 1996.

Indicator: (MTs x 000) reduced or avoided	Planned 1996	Actual 1996
Indicator 1: (CO2)-eq./cleaner fuel activities	0	53
Indicator 2: (CO2)-eq./efficiency activities	438	438

The indicators used for 1996 were calculated in 1995 using the DOE's power demand projections. This is the methodology used:

Avoided metric tons (MTs) = Number of cleaner or avoided Megawatts (MWs) of capacity impacted by USAID-funded activities X Appropriate multipliers (defined below). The multiplier represents an estimate the environmental and economic impact resulting from avoided global and local pollution emissions through the use of cleaner fuels or greater energy efficiency.

Multiplier for Estimating Avoided Investment Costs and Emissions of GHG Mitigation

Measure	Avoided MT of GHGs (CO2-equivalent per MW) (MT/MW)	Avoided MT of SO2 per MW (MT/MW)	Avoided investment required to build per MW of new generating capacity (US\$/MW)
<u>Cleaner Fuels</u>			Not applicable
Gas	6,177	63	
Clean coal	806	44	
Renewables (avg)	7,692	61	
<u>Efficiency</u>	7,822	72	\$1.0 million

Note: These multipliers were calculated in using the Environmental Manual for Power Development computer model for clean fuel (gas, clean coal and renewables) and efficiency options.

This year, the Steering Committee will reassess the indicators based on the recently published 30-year power development plan, and make any adjustment required to more accurately reflect the country's present plans.

In carrying out the program, the SO team secures partner and customer feedback through a variety of mechanisms. The team interacts with GOP and private sector partners through the Steering Committee. The team also interacts with the three private utilities that participate in the Global/ENV supported Utility Partnership program and with private industry leaders involved with Demand Side Management program. Finally, the team attends periodic meetings with the inter-Agency Committee on Climate Change, a multi-sectoral group that represents GOP, NGOs, and consumers that has been tasked with drafting the Philippines Country Study on Climate Change.

Expected Progress Through FY 1999 and Management Actions

During the next year, the Program's principal efforts will be to help the GOP to: (1) finalize the Omnibus Power Industry Bill by June. This bill will establish the legislative platform and regulatory framework necessary to stimulate investment in the natural gas industry; (2) review the initial draft of the Collective Energy Resources Bill by July to ensure that it addresses the known constraints to private investment in renewable energy power systems; and (3) strengthen the GOP's understanding of economic and policy implications of Clean Coal Technology Systems that meet existing and projected emissions compliance requirements by September.

In addition to these specific assistance activities, the Mission will finalize its strategy for accelerating the commercialization of renewable energy systems by May. Based on a draft analysis of constraints impeding the commercialization of renewable energy systems, and the need to reduce the SO 5 management team by 30 percent in response to overall Mission staff cuts, the SO 5 team plans to: (1) curtail the present activity that is attempting to promote specific renewable energy investments; (2) focus further work on the fundamental policies and regulations that impede private sector investment in renewable energy; and (3) incorporate all future assistance for renewable energy into the Mission's new comprehensive SO 5 technical assistance vehicle.

**STRATEGIC OBJECTIVE NO. 6
BROADENED PARTICIPATION IN THE FORMULATION AND
IMPLEMENTATION OF PUBLIC POLICIES IN SELECTED AREAS**

*"Last week I was working in the fields, this week I'm here
evaluating the performance of my municipal government."*

--Female co-op member participating in a Municipal Assessment Workshop in Capiz

Performance Analysis

For USAID/Philippines democracy strategic objective, this year's successes are rapidly becoming next year's challenges. Local government activities have invoked a flood of demands. For instance, ten participatory planning workshops planned for 1996

SO 6 Achievements

Advocacy: *The urban poor coalition got Presidential support to repeal a Marcos-era law criminalizing squatting. The fisherfolk coalition provided convincing testimony to Congress, based on its independent evaluation of a \$7.6 million GOP fisheries project funded by the Asian Development Bank. Indigenous people's groups persuaded the Department of Environment and Natural Resources to incorporate its recommendations into government policy on the management of ancestral domains. While other NGO groups walked out of local hearings on the Mining Act, a USAID-sponsored coalition of indigenous people calmly used data and analysis to influence the Act's implementing rules and regulations.*

Participation in Local Government: *NGO participation in selected local governments exceeded 1996 targets (325 vs. 400), using a more rigorous criteria of participation. The Technologies of Participation, developed in the U.S., are gaining wide acceptance as a means of facilitating broad, efficient participation in local governance. Two provinces have used their own funds to train local government employees in these techniques, and dozens of local governments and NGOs have adopted them as part of their standard way of doing business.*

Local Government Responsiveness: *Satisfaction with local government performance increased from 36 in 1995 to 39% this year, according to surveys in USAID-assisted provinces.*

became 170. Several advocacy coalitions have already used USAID assistance effectively to place their issues into national policy forums, including the legislature, without yet fully proceeding through anticipated processes to build coalition unity, diversity and membership. Even small USAID-assisted activities have important results. The regional workshop of the International Foundation for Electoral Systems (IFES) has led to an announcement of creation of an IFES regional center in Manila, and requests for new assistance by the Mongolia Election Commission. Technical assistance by IFES resulted in consensus among legislators, the Commission on

Elections, and NGOs on an Electoral Modernization bill for 1998 elections, and Presidential endorsement of electoral modernization. As an NPI-Leading Edge Mission, regional Missions, including Cambodia, Mongolia and Sri Lanka look to and learn from our democracy experiences. With an expanding mandate to provide regional service, an ongoing peace process in Mindanao, and the exigencies of a pre-Presidential election, next year will be a real challenge.

SO 6 has made excellent progress in both SO and IR-level planned results. Devolution continues to catalyze participation and better governance on the ground -- in the provinces, cities, towns and barangays (villages). "Imperial Manila," while still important, no longer monopolizes Philippine politics and government. Coalitions of disadvantaged groups such as marginalized fisherfolk, the urban poor, and indigenous

Technologies of Participation (ToP)

A US-developed state-of-the-art facilitation methodology to strengthen participatory mechanisms may turn out to be the most lasting legacy of GOLD. It offers methods to share basic assumptions, define common ground, identify feasible approaches and move toward action among a diverse group that typically includes politicians, and representatives of NGOs, POs, and private business that number between 30 and 120. Participants in ToP sessions "buy in" to the process and the legitimacy of the problems and solutions identified. Local committees work along on agendas defined during ToP sessions, often without any external assistance.

An example of ToP at work is found in Capiz Province, a place that epitomizes the "deepening" process the mission seeks for Philippines democracy. A local NGO (the Gerry Roxas Foundation) , serves as a creative facilitator of effective local governance and active civil society. It uses ToP to bring politicians, government employees, NGOs, and ordinary citizens together to assess (and improve) the performance of local governments. Currently, employees of each department in a dozen municipal governments that have been through ToP-facilitated assessments are working to address their two or three most glaring problems.

peoples have been recognized as legitimate groups and are, engaged and participating in policy dialogues on important national and local issues affecting them.

IR 1: Local Governance

The local governance strategy is premised on assisted self-reliance. Local leaders and ordinary citizens set their development priorities and receive USAID technical assistance and help in facilitating participatory processes on a demand-driven basis. Our major challenges lie in keeping up with dynamic local citizen groups. Their demands for assistance --Technologies of Participation (ToP) workshops, short-term, quick-turnaround technical assistance, help with cross-visits to observe good practices in other provinces -- are insistent and creative.

IR 1 targets are on track and making good progress. Some highlights:

Participation. Ten ToP workshops on local administration, investment prioritization and promotion, environmental planning and fiscal management planned for the last half of 1996 leap-frogged to 170, after benefits of the ToP method were clearly demonstrated, as shown below.

Women in Democracy: Which Numbers Matter?

In September 1996, 170 citizens of General Santos City gathered for two days of intensive work. They were tasked by the city's leaders to prioritize city programs for fiscal '97, making hard decisions about what to keep, increase, or drop. Assisted by USAID's Governance and Democracy Consultants, the "Do-Ables Workshop" was the first event of its kind. Thirty-eight percent of attendees (politicians, local government employees, NGO leaders, ordinary citizens) were women. A quick review of documents from six other planning workshops shows the same high level (38%, 114 of 299 attendees) of female participation.

Through support for the Capiz Women, Inc., a movement of 11,000 women community leaders and members monitor local government projects and policies, voice community concerns, and in some cases, have been elected as barangay and municipal councilors.

Nationwide, 10% of local elected leaders are women, a high figure compared to most countries. However, many elected officials, both male and female, represent family "dynasties." What matters more is who actually makes the rules and resource decisions. USAID-supported activities are facilitating higher and broader female participation in the essential aspects (planning, budget allocations, decision-making) of local governance.

Becoming players in policy making. In Cotabato Province, ongoing work in health planning demonstrates how demand-driven programming and effective facilitation help to energize leaders and citizens. The Health Technical Working Group has quickly become a player in local policy-making. In short order they reconstituted themselves as an Expanded Provincial Health Board, co-opting Group members to an existing but moribund Board, thus gaining an official voice; rejected official morbidity and mortality data as severely flawed, and assembled their own statistics; used assembled data to identify major causes of mortality, and having identified highway accidents as the second leading cause of death, proceeded to write a new highway safety law; they persuaded the Governor to veto the legislature's hasty decision to accept a Department of Health offer to construct five 10-bed hospitals, arguing from cost and service-quality criteria the province will be better served by a 25-bed hospital and five 5-bed clinics.

Energizing local planning. In Nueva Vizcaya Province (northern Luzon), ToP was used to energize local planning and to spread beyond original sites. Participation

specialists tailored ToP methodologies for a series of barangay (village-level) and municipal planning/budgeting workshops, developed a manual in the local language, and assembled and trained a team of local facilitators. By the end of 1996, 28 barangays and 6 municipalities conducted workshops (averaging 40-50 participants) that identified local problems and opportunities, developed action plans, and "made it real" through tough allocation decisions for 1997 budgets.

• **Spread-effect.** The Nueva Vizcaya experience quickly spread in several directions: 1) Local governments in adjacent provinces have requested members of Nueva Vizcaya's team to facilitate workshops for them; 2) Facilitators took their show "on the road", training a similar team in Sarangani Province (southern Mindanao); 3) The Sarangani team transferred their skills to another group in nearby North Cotabato; 4) Cotabato experts in turned trained facilitators in nearby General Santos City; 5) Members of the Nueva Vizcaya and General Santos teams helped train a new group in Bulacan (just north of Manila).

• **Use of U.S. models of governance.** Our work with local government leagues is also moving nicely. Three months after a highly productive U.S. study tour, a group of prominent governors and mayors have begun to engage national leaders on fundamental local governance issues (control of the police, new fiscal authorities, control of local infrastructure), initiated a "league of leagues" on the model of the National Civic League, and established Internet Web pages as a platform for public advocacy and sharing good practice.

• **Increased national revenue allotment for LGUs.** The central government continues to demonstrate financial commitment to local governance. The national internal revenue allotment for targeted local governments (flowing to LGUs as automatic monthly payments) has increased by 44% from Pesos 4.09 billion (\$157 million) in 1995 to Pesos 5.9 billion (\$225 million) in 1996 (not counting shares of wealth from natural resources). Nationwide, the revenue allotment stands at \$3 billion, up from \$280 million in 1989.

• **Local revenue raising**, through credit, bond, and taxation remains a challenge. Several NGOs, however, have taken out loans or floated bonds, while others are preparing more coherent revenue codes, collecting back taxes, planning BOT arrangements, and introducing fee-for-service approaches. USAID is assisting the LGU leagues to conduct workshops on local revenue raising. USAID also prepared a well-received background paper for the Consultative Group meeting in Tokyo in December 1996, calling attention to the challenges and opportunities in local government finance.

IR 2: Civil Society

In civil society, the Mission's strategy is to support formation of coalitions of disadvantaged and under-represented groups to increase their participation in the policy arena. This is premised on the belief that a strong, progressive civil society can ensure government policies and policy implementation will benefit the many, not just the few.

Last year, USAID launched NGO-led coalition activities of marginalized fisherfolk, indigenous peoples, and the urban poor. This year USAID extended support to coalitions of coconut farmers, informal workers, and microentrepreneurs, along with a small coalition of NGOs in Muslim Mindanao. The coalition model has shown that it can catapult weak groups into strong alliances and put their advocacy issues in the forefront of the policy arena. As coalitions work toward desired policy outcomes, a democratization process happens in parallel through nationwide consultations and extensive analysis and deliberation of policy issues within the coalitions.

IR 2 is making good progress, as shown by the following results:

- **Marginalized fisherfolk testify in Congressional hearings on GOP's Fishery Sector Program.** With USAID support, the coalition of marginalized fisherfolk was able to conduct an independent evaluation of the GOP's fishery projects, now regularly monitors Congressional activities, and was able to testify at public hearings. The group is now recognized as a legitimate, credible spokesperson for the marginalized fisherfolk numbering 600,000 nationwide.
- **Congress conducts investigation on the Manila Bay fishkill.** The same coalition pushed for a Congressional investigation of a worrisome fishkill in Manila Bay, which also highlighted the issue of industrial pollution.
- **Repeal of anti-squatting law certified as urgent bill by President Ramos.** USAID's grant gave the urban poor coalition the means to actively participate in an Anti-Poverty summit called by the Government. This led to the Office of the President certifying as urgent legislation the repeal of Presidential Decree 772, which criminalizes squatting. The coalition was invited to attend and participate in all bicameral hearings on the law's appeal. A third reading on the law's repeal has passed, with much credit due to the urban poor coalition's analytic input.
- **Fish returns to Sto. Nino, Samar.** USAID-grant to the coalition of marginalized fisherfolk allowed them to support a local fisherfolk organization to mount an information dissemination campaign to support the passage of a municipal ordinance banning commercial trawlers to operate in municipal waters. The ordinance

was passed and later adopted by the provincial board. Two months after its effective implementation, fish returned to Sto. Nino waters in unprecedented volumes.

· **Indigenous People refused to join NGO walk-out on the Mining Act.** A public hearing on Implementing Rules and Regulations (IRR) for the Mining Act gathered various stakeholders from the most critical northern areas. The hearing ended with many NGOs walking out of the hearing to dramatize their opposition to the Act. Only the USAID-supported Indigenous People's (IP) coalition decided to stay. As a result, the coalition was able to engage in the critique of IRR provisions, share IP concepts of stewardship and participate in an information and education campaign.

IR 3: Philippine Democracy Agenda

Work on the Philippine Democracy Agenda included two conferences in 1996. The first explored "Democracy and Citizenship in Filipino Political Culture" and the second "Philippine State-Civil Society Relations in Policy-Making". Participants represented a variety of activist groups and academic institutions with which the Mission had few previous contacts. By May 1997, two additional conferences will be completed, laying the groundwork for transforming Philippine Democracy Agenda into a policy/action agenda that can be adopted by interested coalitions or institutions.

Pending completion of an actionable democracy agenda, activities undertaken have already validated some assumptions and raise some new issues of possible strategic consequence. These include:

- Political agenda and policies are largely determined by those who have the resources to access media and other avenues for being noticed. While traditionally this has benefited elites, it also leads to the relative effectiveness of USAID-assisted coalitions;
- Philippine politics remains highly personalized and fragmented, presenting a challenge to the sustainability of groups and movements independent of particular individuals such as founders or charismatic leaders;
- The middle class *as a class* is not a political force, though some middle class *individuals* are and others give support to particular causes from time and time. This explains why particular activities and activists have a disproportionate effect on events.

Partly intended as a barometer to check the accuracy of USAID's reading of current events, findings to date on the positive side affirm the importance of citizen empowerment to the democratization process but also underline the importance of cultural and psychological factors that exert conflicting pressures on the Filipino identity, and sometimes confound efforts to build democratic institutions.

Expected Progress Through FY 1999 and Management Actions

The Mission sees 1998 as a critical year for SO 6, a year of stress and test for democratic institutions. National elections in May 1998 will likely determine the direction of USAID programs for the next several years. An assessment will be needed in mid-1998 as many new LGU leaders take office, and priorities of national leaders are made known.

In addition to 1996 coalition grants, the Mission made four new NGO coalition grants in 1997. The USPVO, Volunteers in Overseas Cooperative Assistance (VOCA), is assisting a coconut farmer coalition advocating for the return of the Coconut Levy Fund (estimated at over \$2.5 billion) diverted by Marcos cronies into various private investments. This could potentially impact 3.4 million people, predominantly small farmers and farm workers. The Asian American Free Labor Institute is assisting a coalition of informal home workers, predominantly women and children, to push for policy reforms that will improve access to productive resources, provide social protection, and improve conditions of work, safety, and health. This could potentially impact 46 percent of the Philippines' 28 million workers. A third grant, with a Philippine NGO, spurs a tactical coalition among microfinance practitioners to develop Philippine standards for sustainable microfinance operations. This will bring long-term impacts on poverty lending, potentially affecting up to five million households in the bottom 40 percent of the economic ladder. The fourth grant, with a network of Christian-Muslim NGOs, focuses on education issues in the ZOPAD in Mindanao helping them initiate reforms in policies, systems and programs in education and training.

Work on local governance strengthening requires concerted efforts in two areas: local revenue generation and collection and dissemination of "good practices" in local governance. Intensive work on the first area is beginning now in four provinces (and constituent municipalities) firmly committed to improving their income from property taxes. USAID is exploring approaches to institutionalizing dissemination of good practice information through a partnership with the new "league of leagues" for local government. At the national level, it is anticipated that Mission will receive requests for support to modernize electoral systems for the 1998 elections and assistance in judicial reform.

The SO6 team will undertake two evaluation studies during FY 1997. One will examine the impact of the Technologies of Participation on governance and democracy at our ten partner-sites. The other will examine lessons learned about advocacy coalitions.

SPECIAL OBJECTIVE NO. 1 RAPID INCREASE OF HIV/AIDS PREVENTED

Performance Analysis

As a result of the FY 1996 R4 review, the Special Objective (SpO) framework was refined and SpO revised to read "Rapid Increase of HIV/AIDS Prevented". In addition, a full-fledged results framework document which contains revised indicators and targets has been developed. Based on this framework, a Special Objective Agreement was executed in August 1996 between USAID and the GOP.

The 1996 results for the key indicators at the Special Objective and Intermediate Results levels are obtained from the biannual National HIV Sentinel Surveillance (HSS) established under the AIDS Surveillance and Education Project (ASEP).

The program achieved its target at the SpO level. Data from the HSS for 1996 indicate that HIV seroprevalence remains at less than 1 percent among the target risk groups.

At the IR level, comparative analyses of the 1993 to 1996 data show increasing level of condom usage rates in both men and women at risk. However, condom usage rates are below targets set for the year. A significant reason for not achieving the condom usage targets is the disparity between the number of sites surveilled and the number of sites targeted for IEC activities. Out of the 10 sentinel surveillance sites, only 5 sites have corresponding IEC activities and these sites are in cities that started in the HSS program earlier. The impact of education activities is clearly shown by the findings on the reported much higher rate of consistent condom use by registered female commercial sex workers (FCSWs) compared to all other target groups and appear to be generally higher in those areas with an ASEP educational outreach component. To address this problem of IEC coverage, the program will expand IEC activities to cover all sentinel surveillance sites.

The last few HSS rounds continued to show relatively high seropositive rates for syphilis. The actual data are higher than the targets set for this year. The rates validate the existence of risky behaviors that facilitate transmission of HIV among the risk groups. In addition, drugs for treatment of STDs are inadequate and oftentimes not available at government and NGO health centers. Notable developments and accomplishments since the last R-4 review include:

- The National HIV Sentinel Surveillance System is well established and functioning. The 7th surveillance round has been conducted in September 1996. Its biannual reports continue to provide the DOH, LGUs, partner government agencies and NGOs with reliable data to monitor danger signs for a major HIV epidemic.

The capacity of private sector organizations to implement IEC strategy activities has been strengthened. These NGOs have reached a significant number of vulnerable individuals with behavior change communication, safer sex education, and STD interventions in 5 sentinel sites. NGO outreach workers and peer educators referred vulnerable individuals for STD and HIV testing and counselling. Local NGOs implemented comprehensive harm reduction interventions. NGO partner organizations marketed and distributed an increasing amount of condoms to individuals with multiple sex partners and other STD/HIV risk factors. Should a major AIDS epidemic happen now, the country has the organizations with tested experience in increasing effective HIV/AIDS prevention interventions already in place.

The capacity of the STD/HIV/AIDS unit within the DOH to carry out the National AIDS Prevention and Control Program (NAPCP) has been strengthened. The program aims to develop, monitor and evaluate a national information, education and communication strategy for AIDS prevention. Under this program, public health workers, private care providers, and industry-based health personnel have been

General Santos City Responds to the Threat of AIDS

In mid-1996, General Santos City, one of the Philippines' fastest-growing areas, requested assistance in organizing a community response to the threat of Sexually Transmitted Disease (STD)/AIDS brought about by rapid urbanization. ASEP organized a planning workshop at which 11 government agencies and 14 NGOs, including church and civic groups, participated. The workshop led to the formation of the multisectoral General Santos City AIDS/STD Council and the mobilization of available resources to support the officially-adopted city plan of action on STD/AIDS.

In December 1996, the city council increased funds for the city's STD/AIDS program. Three NGOs have developed projects, and received ASEP funding, to target FCSWs and male clients of sex workers. The city health department's STD physician has assisted in training the NGO projects' peer educators among these groups at risk. ASEP has also drafted plans to mobilize resources for STD drugs, to promote a voluntary blood donation program at the village level, to operate a telephone hotline for the city, to address cross-border movement between the Philippines and Indonesia, and to involve the local business sector in a mass media campaign for STD/AIDS prevention. ASEP's experience in General Santos City is an example of a response to AIDS that is timely, planned, coordinated, targeted and strong.

trained in STD syndromic care management. Analysis and reporting of field data gathered during biannual Behavioral Monitoring surveys also strengthened the capacity of the NAPCP and city health officers to target HIV/STD interventions and improved their understanding of HIV risk factors.

A major change in the environment affecting the program has been the devolution of health services from the national to local government levels. This resulted in a profound change in the health sector, particularly with respect to DOH

operations and its new relationship with local governments. Local governments now determine their priorities for health and other services, as well as priorities within their health budgets. Recognizing that the support of local governments is essential for the sustainability of the program, a workshop/forum on HIV/AIDS with the League of Cities of the Philippines was conducted. This activity provided a venue for cities included as sentinel sites under the program to share innovative and replicable AIDS prevention programs. As a result, there is now a better appreciation of HIV/AIDS as a health problem by the local chief executives and their staff and they have demonstrated their commitment to address this problem through concrete action plans.

Under the US-Japan Common Agenda initiatives in 1996, additional commitments from the Government of Japan included implementation of a 5-year technical cooperation project for the Philippine National STD/HIV/AIDS Prevention and Control Program aimed at strengthening a network of laboratory referral systems. This includes the renovation of the former US Navy research (NAMRU) facilities to house the central STD/AIDS laboratory. Additional assistance of over US\$500,000 for HIV testing kits and other relevant equipment, including four mobile vans for strengthening the HIV surveillance networks in conjunction with the USAID-supported ASEP has also been provided.

In addition to the promotion of safer sex, the WHO recommends another major strategy to prevent sexual transmission of HIV, i.e., the reduction in incidence of curable STDs. However, drugs for the treatment of STDs (e.g. syphilis, gonorrhea) are inadequate and oftentimes not available at government and NGO health centers. This situation inhibits the full implementation for the pilot testing of the syndromic approach for STD care and management in the model STD/HIV/AIDS clinics being supported by the education component of the program. Solutions are being explored with the DOH, local government units, and other donor agencies which can provide funding for STD treatment.

Expected Progress Through FY 1999 and Management Actions

It is expected that the SpO will achieve its target of maintaining HIV seroprevalence rate at less than 1 percent in "groups" practicing high-risk behavior, thus preventing the rapid increase of HIV/AIDS.

A program assessment was done in January 1997 to provide assistance in the process of refining the activities to occur in the SpO 1998-2000 period. Following are the recommendations of the assessment:

Given the current low HIV prevalence level in the Philippines, the assessment recommended scaling back surveillance to target only the RFSWs. Other groups may be added only in large cities. Female sex workers comprise the largest estimated high risk "group" for acquiring HIV infection in the Philippines. In addition, this "core"

group has the greatest potential to transmit HIV infection to a large percentage of their sex partners and thereby to the "general" population. If HIV prevalence rates in RFSWs can be kept below 3 percent by the year 2000, this will be a good indication that rapid spread (i.e., an explosive epidemic) has not occurred in the Philippines. Based on this recommendation, we may need to revise the SpO indicator to "HIV seroprevalence rate among RFSWs remains below 3 percent in 2000".

- The program assessment found syphilis antibody among high risk "groups" to be a crude and insensitive measure of behavioral change. Prevalence rates for syphilis antibody will generally not decline markedly even in the face of an aggressive syphilis prevention/control program because many persons infected with syphilis will continue to be seropositive to some syphilis tests even after they have been effectively treated and rendered non-infectious. Therefore the assessment recommended the deletion of syphilis as an indicator. Alternate Intermediate Result indicators that are being considered include: percent of injecting drug users who report sharing of injection equipment; percent of target risk "groups" with knowledge of AIDS; and percent of target risk "groups" who perceive themselves at risk acquiring HIV/AIDS.

- The program assessment recommends that the program be extended and funded for another three years to end in September 30, 2000. This coincides with the time frame of the SpO results framework.

**SPECIAL OBJECTIVE NO. 2
ASSISTANCE TO AMERASIANS**

Performance Analysis

In August 1996, USAID awarded a three-year grant to a coalition of 11 PVOs led by the Pearl S. Buck Foundation. Three thousand Amerasians will be assisted out of a larger group estimated at 12,000. This activity will facilitate integration of Filipino Amerasians and their families into the economic, social and cultural mainstream. The grant will establish a functional support group among coalition members to provide: (a) livelihood and employment for at least 50 percent of target Amerasian and caregivers population of 3,000 by the end of year 3; and (b) preventive health care training to 60 percent of the target population.

Expected Progress Through FY 1999 and Management Actions

Early results have been encouraging. Since the grant was signed in August 1996, the coalition has organized its steering committee, formulated general policy and procedural guidelines, and conducted capability-building training in project development, gender sensitivity, and financial management. Sub-grants to coalition members will begin in 1997. It is not certain whether the coalition needs to sustain its existence beyond the completion date in 1999. Closure of Clark Air Base and Subic Naval Base has brought in a precipitous drop in the Amerasian birth rate.

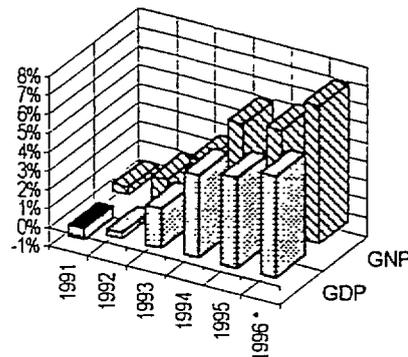
PHILIPPINE ECONOMIC OUTLOOK

November 1996

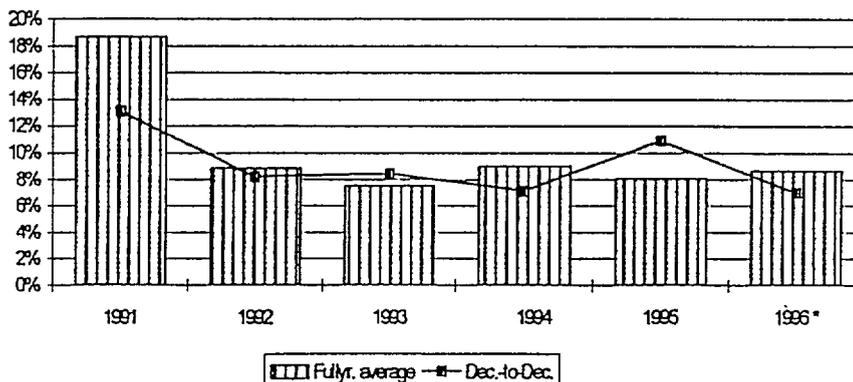
Under the slogan "Philippines 2000" -- aimed at propelling the Philippines to the ranks of "newly industrializing economies" by the turn of the century -- President Ramos has continued and expanded the initiatives of his predecessor towards sustaining economic growth and liberalizing the relatively closed Philippine economy of the past. The Government has already succeeded in implementing important reforms to, among others: 1) liberalize the trade, foreign exchange and investment regimes; 2) privatize parastatals; 3) lift or reduce entry barriers into important industries (such as banking, insurance, telecom, aviation and oil); 4) address urgent infrastructure concerns (starting with the electricity crisis of the early 1990s) under a build-operate-transfer (BOT) program; and 5) restore effective monetary management through the financial restructuring of the previously insolvent Central Bank (now known as Bangko Sentral ng Pilipinas, or BSP). The Philippines is a founding member of the World Trade Organization (WTO) and recently passed important legislation to lift quantitative import restrictions on agricultural products and to effect a transition to a more internationally acceptable basis of customs valuation (i.e., from "home consumption value" to "transaction value"). A series of IMF structural adjustment programs have also helped stabilize the macroeconomic situation, and the Government hopes that the current arrangement (a three-year Extended Fund Facility which expires in 1997) will be an exit program.

Government efforts have paid off as macroeconomic indicators continue to improve. After practically stagnating in 1991 and 1992, the economy (as measured by Gross National Product or GNP) has grown at an accelerating pace. Real GNP expanded 5.5% in 1995, and growth could have been stronger if not for agricultural setbacks due to drought, unfavorable weather and animal disease. In 1995, nominal GDP per reached (and even exceeded) the equivalent of \$1,000 for the first time, improving longer-term demand prospects for both consumption and investments. More recent estimates show a 7% year-to-year hike in real first semester 1996 GNP, already within the Government's 6.5% - 7.5% real GNP targeted growth range for the full year. Exports, investments, and improving incomes for consumption played important roles in spurring the economic growth of recent years.

REAL YEAR-TO-YEAR GDP & GNP GROWTH

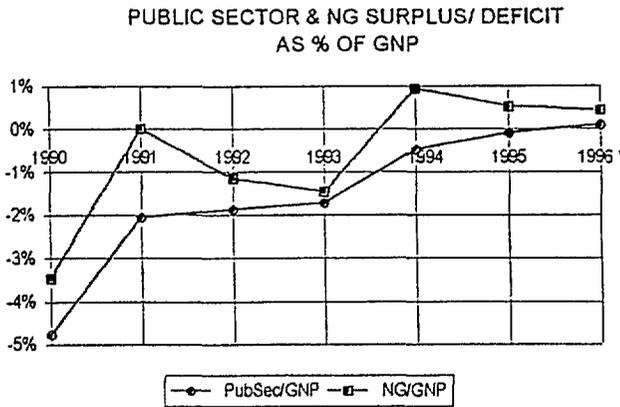


CPI YEAR-TO-YEAR CHANGE



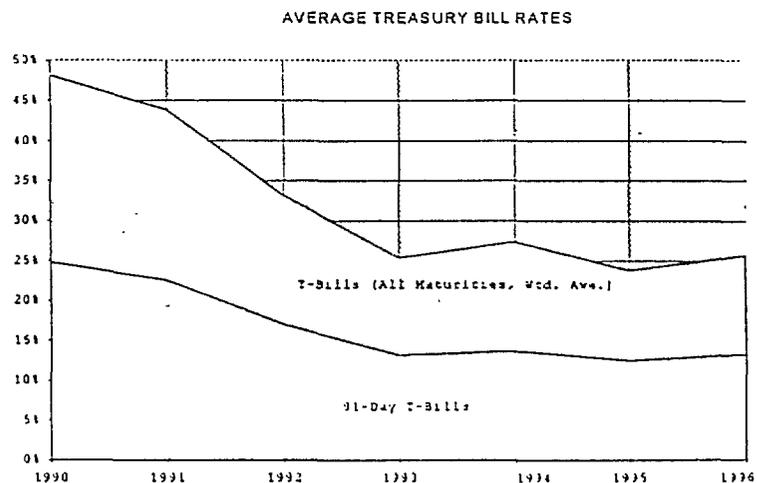
In average annual terms, year-to-year inflation -- recorded at 8.1% in 1995 -- has been in single-digits since 1992. 1995's annual average was lower than 1994's 9% rate but nevertheless exceeded the Government's 7.5% targeted ceiling for the year. Food supply bottlenecks due to a combination of drought and typhoons, aggravated by inefficient grain import policies, pushed up year-to-year inflation to double-digits

starting September 1995. Although decelerating, year-to-year, inflation stayed at double-digits up to June 1996 (reflecting additional cost-push pressures such as the implementation of the expanded value added tax, domestic oil price hikes, and subsequent wage and utility rate adjustments). It has since reverted to single-digits. Year-to-year inflation averaged 9.1 percent during the first ten months of 1996, but optimism is growing that the Government may nevertheless be able to contain the full year average within its targeted 8.7 percent ceiling. The Bangko Sentral's ability to conduct open market operations more decisively following its financial restructuring in 1993 bodes well for price stabilization efforts.



Although further efforts are required to increase revenues and manage expenditures, the Government has worked to reduce its fiscal deficit as a percent of GNP. Since 1993, the Ramos Administration has adopted a number of measures to raise revenues (such as increasing stock transaction and documentary stamp taxes, imposing a minimum three percent tariff, hiking government

fees and charges, and accelerating the privatization of government assets/firms). Due to financial constraints, the Government has also been depending on private sector assistance in providing much needed infrastructure under BOT and similar arrangements. Breaking from two decades of successive fiscal deficits, the National Government posted fiscal surpluses in 1994 and 1995, a trend which has continued thus far. The consolidated public sector deficit (CPSD), which includes government-owned corporations and the BSP, has narrowed markedly in recent year. The Government hopes to achieve a "balanced" CPSD in 1996. As tariffs continue to decline under trade liberalization policies, and privatization receipts begin to fall, the Government is banking on congressional approval of a "Comprehensive Tax Reform Program" (which envisions to widen the tax base through reforms in income taxation, excise taxation, fiscal incentives and tax administration) to maintain fiscal stability via sustainable revenue flows. Higher average inflation in 1996 spells somewhat higher domestic interest rates than in 1995. Overall, however, banking and financial sector reforms (including a phased reduction of peso deposit reserve requirements) together with an improved fiscal performance have helped foster a lower and more stable interest rate regime.

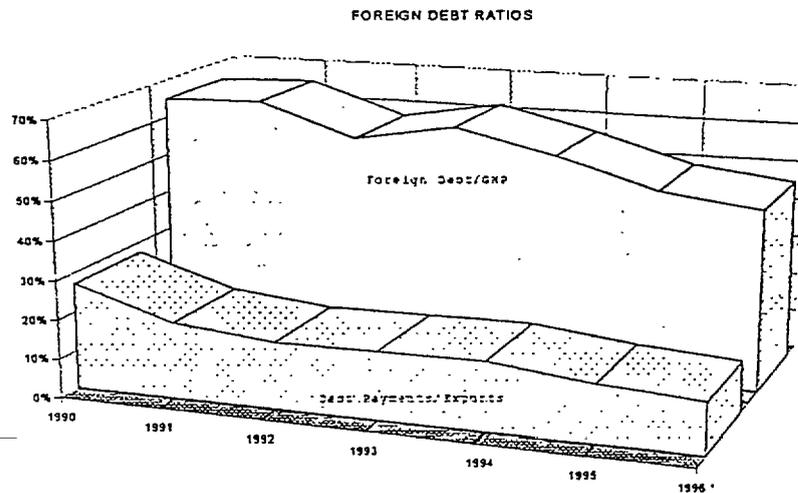


Although the Philippines' foreign debt level has been increasing, debt servicing is no longer a severe problem. A series of debt buybacks and restructurings (including a 1992 Brady deal) have made foreign commercial debt manageable. The country returned to the voluntary international capital markets in 1993 after a decade's absence. In early 1995, the Government opted not to pursue a fifth Paris Club rescheduling agreement, in line with the Government's aim to wean the Philippines from exceptional financing. The Philippine foreign debt level stood at \$37.9 billion as of June 1996. The foreign debt/GNP ratio has fallen to about 50% (down from 65% in 1990 and a 1986 peak of over 95%). Steadily

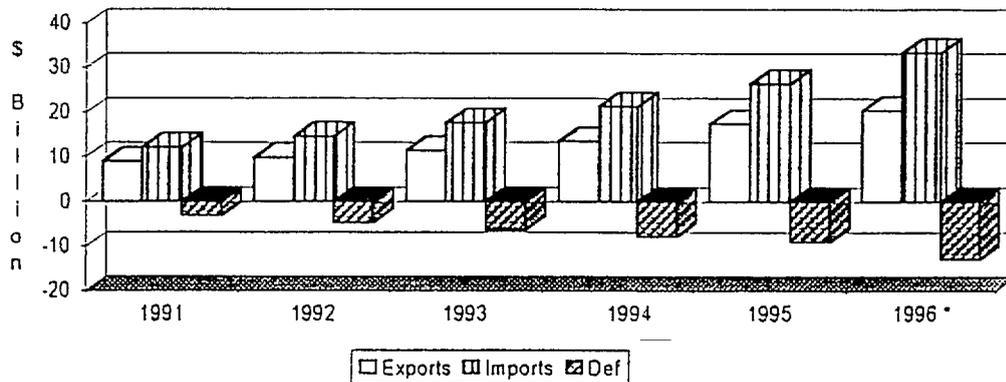
declining, the ratio of debt service to merchandise and service exports during the first half of 1996 has been estimated at 13% (down from 27% in 1990 and about 40% in the mid-1980s).

For the first time since 1991 (when export growth was weak due to external factors and macro stabilization efforts, but nevertheless outpaced even weaker import demand), export expansion (29%) overtook import growth (24%) in 1995. However, based on eight-month

1996 data, the import growth rate has once again outpaced export performance, reflecting the continued strong demand for capital equipment (such as telecom, aviation and transport, among others), as well as the raw/intermediate materials required by import-dependent major export industries (i.e., electronics/telecommunication devices and garments). Cumulative exports from January-August 1996 expanded 16% year-to-year, while imports grew more than 26% over the same period. Government economic planning officials cited the expansionary impact on imports of accelerating economic growth, increasing infrastructure-related demand, and ongoing import liberalization policies (mainly tariff reform and the lifting of quantitative barriers). Meanwhile, garments (the Philippines' next largest merchandise export after electronics) are facing stiff competition from newly emerging economies such as China and Vietnam. Coconut product exports have fallen, reflecting weather-related production shortfalls. Overall export performance also may have been affected by the one-year suspension starting July 1995 of privileges under the Generalized System of Preferences (GSP). Government officials nevertheless expect cheaper imports to eventually catalyze export expansion, and investment spending to redound to longer-term productivity gains.



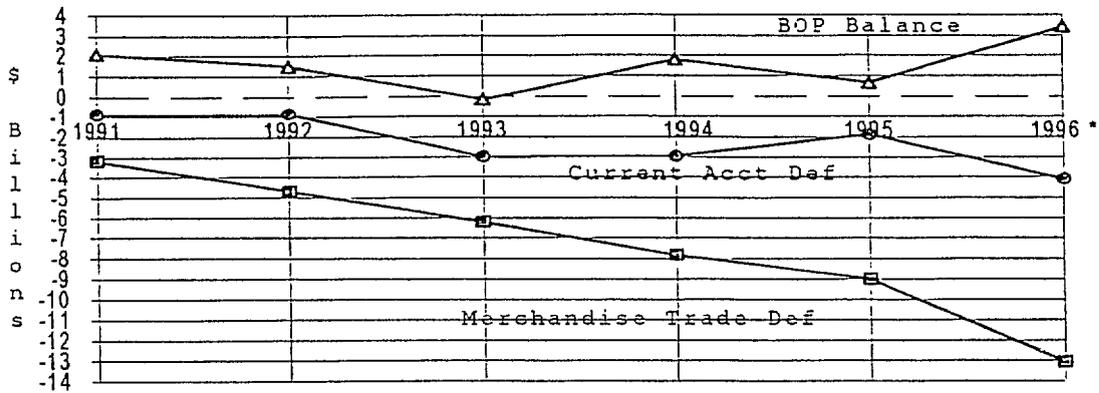
MERCHANDISE TRADE



Despite strong import demand, the overall balance of payments (BOP) is in surplus, estimated at more than \$3.7 billion as of September 1996 (almost six times 1995's full year BOP balance). Bangko Sentral officials attributed the favorable BOP performance to strong service receipts (particularly overseas workers' remittances) and higher net inflows of foreign investments. Indicative investment commitments registered with government investment promotion agencies show continued interest in the Philippines as an investment site. The strong interest in export-oriented ventures in recent years -- indicated by the

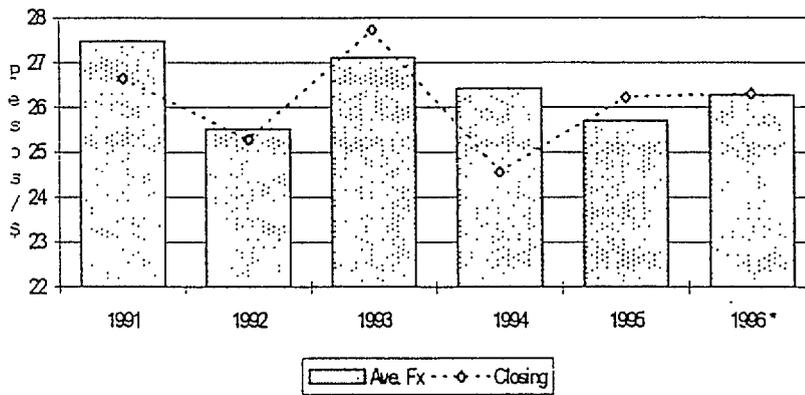
robust expansion of registered investments in designated exort zones -- has been particularly welcome news.

BALANCE OF PAYMENTS



Like other emerging markets, the Mexican crisis and Barings collapse triggered portfolio investment jitters during 1995 which, combined with rising domestic inflation concerns in the latter part of that year, caused some foreign exchange volatility. These caused the peso to close 1995 at pesos 26.23/\$ (almost 7% weaker than 1994's closing rate of pesos 24.56/\$), prompting the Bangko Sentral to dig into its international reserves.

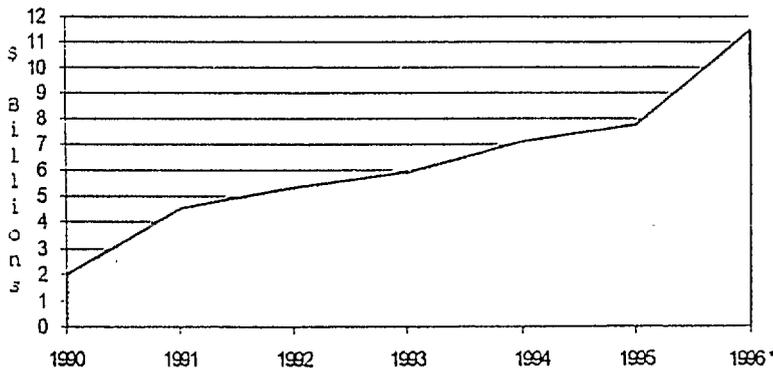
FOREX RATE



Aided by a favorable BOP, the forex rate (trading at pesos 26.28/\$ in mid-November) has since stabilized and moved within a narrow band, allowing the Bangko Sentral to beef up its foreign reserves via interbank forex purchases. The BSP's international reserve cushion has since hit

record levels. It was estimated at \$11.5 billion as of late October 1996 (equivalent to about 3.5 months worth of merchandise and service import requirements), a \$3.7 billion (47%) buildup from the end-1995 position.

INTERNATIONAL RESERVES



In a late 1994 visit to Manila, IMF Managing Director Michael Camdessus remarked: "The Philippines is on the threshold of an economic miracle, if the leaders take bold action now." Some observers say they think they have spotted the next economic dragon. There is a growing consensus that the

Philippines is presently in a much better position than in previous growth periods to sustain economic expansion. Nevertheless, important challenges remain for the Philippines to solidify the economic progress of recent years. Economists continue to express concern especially over the vulnerable state of public finances. Economists also point to the vulnerability of the external accounts, such as a narrow import-dependent export base and increasing reliance on "unpredictable" sources of financing (such as portfolio capital and workers' remittances). While the pace of market-based reforms has accelerated, progress in poverty alleviation has been much more gradual.

All the above concerns call for sustaining efforts to, among others: attract foreign direct investments; pursue policies conducive to exports (continuing the break from the protectionist, import substitution policies of the past); streamline the bureaucracy and rationalize spending; reform the tax system to plug leakages and improve tax collection and administration; depoliticize pricing mechanisms to relieve the burden of subsidies on government finances (which the Government is, for example, pursuing through a phased deregulation of the oil industry); and pursue financial and economic policies supportive of higher rates of savings.

Overall, provided that fiscal concerns are decisively addressed and liberalization and market-oriented policies and reforms continue, the outlook for the Philippines' sustaining -- and even accelerating -- strong economic growth is better than it has been for a long time. The current outward-oriented economic policy thrust, moreover, is substantially expanding opportunities for vigorous increases in U.S. exports and investment.

** Data plotted for 1996 are full year projections based on available information as of October 1996.*

PHILIPPINES: KEY ECONOMIC INDICATORS

(In Million USD, unless otherwise noted)

	1994	1995	1996 Latest Actual		1996 Projections
Domestic Economy					
Population (est. in millions) <i>a/</i>	67.1	68.6	70.2		70.2
Population growth (pct.)	2.3	2.3	2.3		2.3
GDP (current) <i>e/</i>	64,091	74,151	39,232	Sem 1	83,112
GNP (current) <i>e/</i>	65,735	76,536	41,119	Sem 1	87,332
Per capita GDP, current dollars	955	1,081	559	Sem 1	1,184
GDP in real terms (1985=100) pct. change	4.4	4.8	5.0	Sem 1	5.4
GNP in real terms (1985=100) pct. change	5.3	5.5	7.1	Sem 1	7.3
Consumer price index, ave. pct. change	9.0	8.1	9.1	Sem 1	8.7
Production and Employment					
Labor force (millions)	27.7	28.4			29.2
Unemployment rate (pct.)	9.5	9.5			9.1
Industrial prod. (1985=100) pct. change	5.8	7.2	5.9	Sem 1	6.4
Nat'l. gov't. budget surplus/(deficit) <i>e/</i>	616	396	286	Jan-Sep	381
as pct. of GNP	0.9	0.5	0.4	Jan-Sep	0.4
Consolidated public sector surplus/(deficit) <i>e/</i>	(316)	(70)	554	Sem 1	77
as pct. of GNP	(0.5)	(0.1)	1.4	Sem 1	0.1
Interest Rates (pct.)					
Average T-bill rate	13.75	12.46	13.15	Jan-Oct	13.0
Average bank/Loan rate	15.00	14.65	14.90	Jan-Sep	14.8
Balance of Payments					
Exports (FOB)	13,483	17,370	13,051	Jan-Aug	20,325
Yr.-to-yr. growth (pct.)	18.5	28.8	16.5	Jan-Aug	17.0
Imports (FOB)	21,333	26,391	21,206	Jan-Aug	33,385
Yr.-to-yr. growth (pct.)	21.2	23.7	26.5	Jan-Aug	26.5
Trade balance	(7,850)	(9,021)	(8,155)	Jan-Aug	(13,060)
Current account balance	(2,950)	(1,887)	(1,762)	Sem 1	(4,100)
as pct. of GNP	(4.5)	(2.5)	(4.2)	Sem 1	(4.7)
BOP surplus/(deficit)	1,802	645	3,700	end-Sep	3,400
Net foreign investment flows <i>b/</i>	1,558	2,280	1,604	Sem 1	
Foreign debt, as of end of period <i>c/</i>	37,079	37,778	37,869	end-Jun	38,500
Debt service paid	4,188	4,885	2,639	Sem 1	5,900
Debt service (pct. of exports)	17.4	14.9	12.8	Sem 11	13.7
Foreign exchange reserves	7,122	7,776	11,597	Oct 25	11,500
Average exchange rate (in pesos/USD)	26.42	25.71	26.20	Jan-Oct	26.25
Closing exchange rate (in pesos/USD)	24.56	26.23	26.28	end-Oct	26.33
Foreign Investment (CB registrations) <i>d/</i>					
Total (cumulative, since 1973)	5,271	6,086	6,823	end-Jun	
U. S. (cumulative, since 1973)	2,013	2,069	2,147	end-Jun	
U.S. share (pct.)	38.2	34.0	31.5	end-Jun	
U.S.-Philippine Trade (Phil. data)					
Philippine exports to U.S., fob	5,143	6,132	4,450	Jan-Aug	6,910
Yr.-to-yr. growth (pct.)	17.7	19.2	13.2	Jan-Aug	12.7
Philippine imports from U.S., fob	4,100	5,142	3,968	Jan-Aug	6,243
Yr.-to-yr. growth (pct.)	11.9	23.5	25.4	Jan-Aug	21.4
Philippine trade balance with U.S.	1,043	990	482	Jan-Aug	667
U. S. share of Phil. exports (pct)	38.1	35.3	34.1	Jan-Aug	34.0
U. S. share of Phil. imports (pct)	19.2	19.5	18.7	Jan-Aug	18.7

a/ estimates based on actual 1995 census; *b/* direct and portfolio (includes reinvested earnings, withdrawal of Phil. residents of investments abroad, bank interbank transactions, fees/imports converted into equity, etc.); *c/* excludes "net due to head office" accounts of foreign commercial bank branches; *d/* principally exercised to assure repatriation rights; *e/* pesos converted to USD

Sources: National Economic and Development Authority; Bangko Sentral ng Pilipinas, Dept. of Finance

Embassy of the United States of America, Manila

53

USAID/Philippines Regional Activities

USAID/Philippines has had limited regional responsibilities for a number of years. These responsibilities were the product of the closeout of USAID's South Pacific Regional Mission in Suva as well as the creation of a USAEP regional office in Manila and the placement of an OFDA disaster prevention and mitigation specialist in the Mission.

The recent closeout of the RSM/EA in Bangkok, however, has resulted in USAID/Philippines taking on significant new regional responsibilities. Indeed, most of the RSM/EA's continuing activities and services have been transferred to Manila. (The remaining activities and services were transferred to Washington, Cambodia and Indonesia, or simply terminated.)

USAID/Philippines can now be characterized as possessing six distinct types of regional responsibilities. These six roles can be organized under two broad headings: a) the provision of program/project services and support and b) the provision of administrative services and support.

a) Provision of Program/Project Services and Support

- 1) providing program and project related services and support to designated USAID bilateral posts in the East Asia region (Mongolia, and for the next two years, Cambodia);
- 2) managing USAID development assistance programs in designated non-presence countries in the region (Vietnam, Laos, Thailand?);
- 3) managing USAID regional development programs (USAEP, OFDA) which may include both non-presence countries and those with existing bilateral USAID programs;

b) Provision of Administrative Services and Support

- 4) providing finance, EXO, contracting, and legal services and support to designated bilateral missions and other USAID offices in the East Asia region (Mongolia, Cambodia, DC/Tokyo and RIG/Bangkok);
- 5) providing finance, contracting, and legal services and support to USAID programs in designated non-presence countries;
- 6) managing residual matters associated with the closeout of former USAID Missions in East Asia, South Asia and the Pacific (Pakistan/Afghanistan, South Pacific Regional and the RSM/EA);

In addition, although it is not an official responsibility, the Mission may wish to consider beginning to monitor development needs in non-presence countries that may be targeted for new or increased development assistance by the US government in the near- or mid-term future (e.g., Vietnam, Laos and Burma). These monitoring efforts might help USAID avoid having to initiate or expand programs these in a precipitous and uninformed manner - thereby helping the Agency to avoid the vulnerabilities commonly associated with rapid program expansion. (USAID's initial experiences in Mongolia are a recent example of such risks.)

To carry out these responsibilities USAID/Philippines has followed an approach of involving all of its offices in regional activities on an as needed basis. The table below shows which individual USAID/Philippines offices have responsibility for each of these roles.

USAID/Philippines Regional Responsibilities *

	OD	RLA	ORP	OFM	EXO	PRM	ENV	OED	OGP	PHN	AEP	OFDA
1) providing project support to USAID posts	✓						✓	✓	✓	✓		✓
2) managing programs in non-presence (NP) countries	✓								✓		✓	✓
3) managing USAID regional programs	✓										✓	✓
4) providing administrative support to USAID posts	✓	✓	✓	✓	✓							
5) providing administrative support in NP countries	✓	✓	✓	✓								
6) managing affairs of closed missions		✓	✓	✓								

* OD = Office of the Director; RLA = Regional Legal Advisor; ORP = Office of Regional Procurement; OFM = Office of Financial Management; EXO = Executive Office; PRM = Office of Program Resources Management; ENV = Office of Environment; OED = Office of Economic Development; OGP = Office of Governance and Participation; PHN = Office of Population, Health and Nutrition; AEP = US Asia Environmental Partnership; OFDA = Local Representation of the Office of Foreign Disaster Assistance.

The table shows that on the program/project side of the Mission, there is limited involvement in Task 1, customer mission support, which is almost exclusively focused on Mongolia. Mission involvement in Task 2, regional programs, and Task 3, USAID activities in non-presence countries, is confined to the Office of Director, the Office of Governance and Participation, the US-Asia Environmental Partnership and the local representative of the Office of Foreign Disaster Assistance.

The Mission's administrative offices, however, are much more broadly involved in regional activities. The Regional Legal Advisor, the Office of Regional Procurement, and the Office of Financial Management are involved in all three administrative support tasks: Task 4, providing administrative support to USAID posts; Task 5, providing administrative support to USAID activities in non-presence countries; and Task 6, managing the residual activities associated with

55

USAID posts that have been closed out. In addition, the Executive Office is also involved in providing administrative support to USAID posts. Finally, given the nature of its oversight responsibilities, the Office of the Director is also actively involved in the Mission's administrative support activities.

USAID/Philippines' assumption of RSM/EA responsibilities has sharply increased the number of countries that the Mission is active in. The table below details the Mission's regional responsibilities by office and by country.

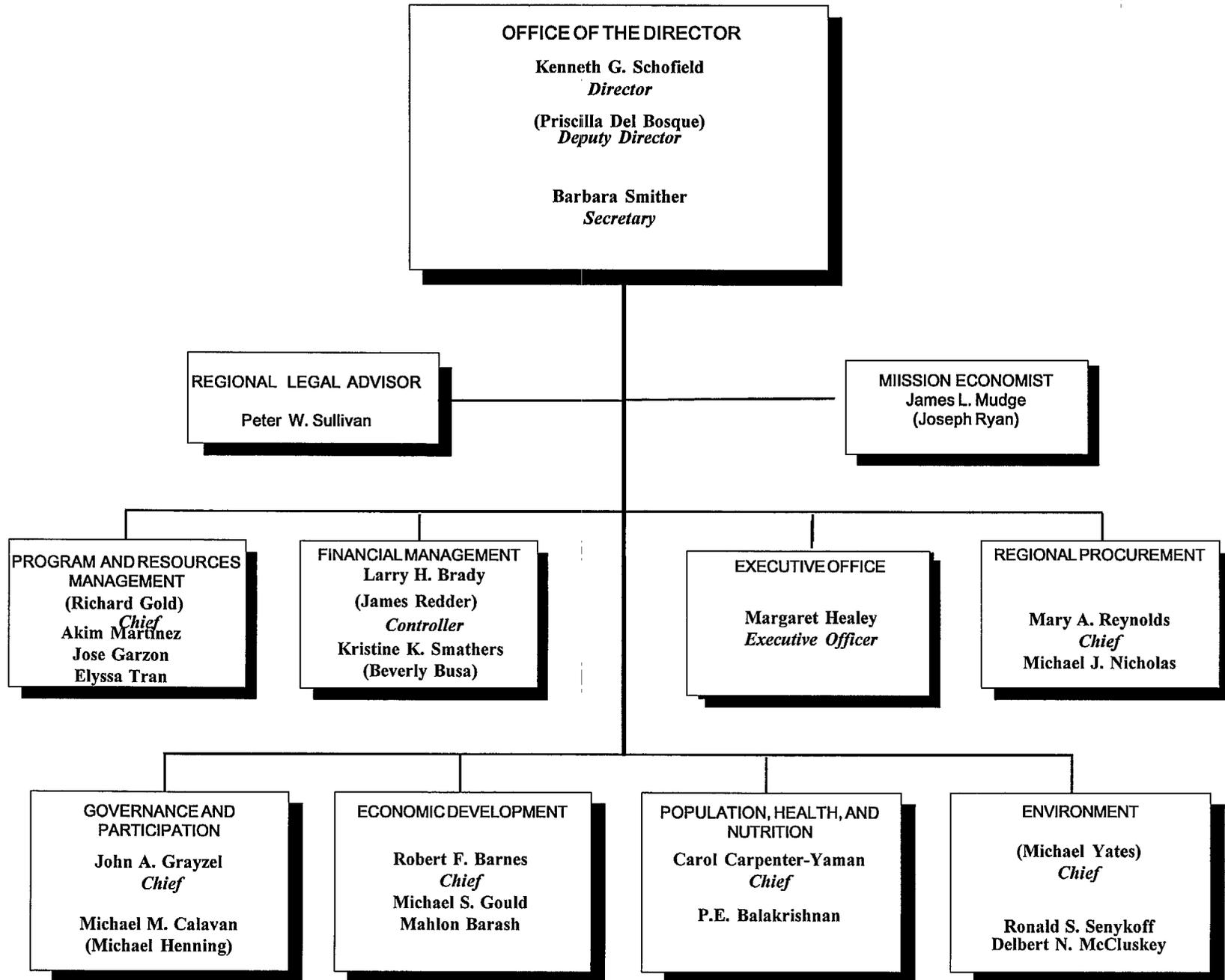
USAID/Philippines Regional Responsibilities *

	RLA	ORP	OFM	EXO	PRM	ENV	OED	OGP	PHN	AEP	OFDA
Mongolia	✓	✓	✓	✓	✓	✓	✓	✓			✓
Cambodia	✓	✓	✓	✓						✓	✓
DC/Tokyo			✓	✓							
Vietnam	✓	✓	✓							✓	✓
Laos	✓	✓	✓								✓
Burma		✓	✓								
RIG/Bangkok	✓	✓	✓	✓							
Thailand Closeout		✓	✓								
ASEAN											✓
Pakistan Closeout		✓	✓								
South Pacific Closeout	✓	✓								✓	✓
Other Asia							✓	✓	✓		

OD = Office of the Director; RLA = Regional Legal Advisor; ORP = Office of Regional Procurement; OFM = Office of Financial Management; EXO = Executive Office; PRM = Office of Program Resources Management; ENV = Office of Environment; OED = Office of Economic Development; OGP = Office of Governance and Participation; PHN = Office of Population, Health and Nutrition; AEP = US Asia Environmental Partnership; OFDA = Local Representation of the Office of Foreign Disaster Assistance.

The table provides further evidence that, except for the director's office, the Mission's administrative offices are carrying the bulk of the regional support burden. Program/project responsibilities are concentrated on Mongolia with lesser responsibilities in Cambodia, Laos and Vietnam. In addition, the OFDA disaster assistance advisor the Mission's Asia Environmental Partnership office have and broad regional responsibilities that extend across virtually the entire East Asia region. In contrast, the Mission's administrative offices have responsibilities in Mongolia, Cambodia and Vietnam as well as the USAID Development Counselor in Tokyo, the RIG in Bangkok and residual responsibilities associated with the Pakistan, Thailand and South Pacific closeouts.

**FUNCTIONAL ORGANIZATION
USAID/PHILIPPINES**



5