

**Memorandum of Understanding
Between
The United States Government and
The Southern Philippine Council of Peace and Development
Regarding
THE SZOPAD ACCELERATED ENTERPRISE
DEVELOPMENT (SZAED) PROGRAM**

The United States Government and the Southern Philippines Council of Peace and Development have entered into the following understanding:

Section 1: Background

On September 2, 1996, the Government of the Philippines and the Moro National Liberation Front (MNLF) signed a Peace Agreement ending a long-running conflict in Mindanao. The Peace Agreement brought with it the establishment of the Southern Philippines Council of Peace and Development (SPCPD) and the Special Zone of Peace and Development (SZOPAD).

Both parties recognize that the signing of the Peace Agreement presents an opportunity to further the economic transformation of all of Mindanao, in particular, the Muslim areas, into a true Zone of Peace and Development. However, for this to happen, it is necessary that the pace of economic growth in the SZOPAD be accelerated, and that as many people in the SZOPAD as possible, particularly the less well-off Muslim people, have the opportunity to participate in and benefit from the economic growth.

Section 2: The SZAED Program

Subject to the availability of funds, and to any approvals of the Government of the Philippines which may be required, the United States Government, acting through the U.S. Agency for International Development (USAID), will initiate the SZOPAD Accelerated Enterprise Development (SZAED) Program within the next 30 days. This Program will have up to a four-year life, ending o/a 31 August 2001. The Program will be undertaken in cooperation with the SPCPD and will be part of the overall assistance and cooperation program between the Government of the Philippines and the U.S. Government. The Program will be similar to, and associated with the already ongoing Growth with Equity in Mindanao (GEM) Program, but, reflecting the fact that the Muslim communities of Mindanao have special characteristics and particular needs, the Program will have different features and employ different approaches than are employed in the already ongoing GEM Program. The SZAED Program will also have a different management

structure than does the already ongoing GEM Program. The SZAED Program will be headquartered in Zamboanga City.

The SZAED Program will include the following components:

Enterprise Development Support
Agribusiness Development Support

Enterprise Development Support. Under this Component, we will: provide support aimed at strengthening business service organizations (e.g., chambers of commerce) in the SZOPAD; establish and support a "SZOPAD Trade and Investment Promotion Center" to be located in Zamboanga City; assist the ARMM Government and, possibly, other local government units in the SZOPAD to amend and improve their investment incentives codes and programs.

Agribusiness Development Support. Under this Component, we will: support the continuation and expansion of the Emergency Livelihood Assistance Program (ELAP). (Note: the ELAP was the subject of the MOU signed between the SPCPD and the U.S. Government on 8 August 1997); attempt to assure that a sizeable percentage of MNLF ex-combatants (and their families) learn and adopt methods and technologies required for profitable production of six basic crops/products; facilitate the development of contract farming or other market linkages between SZOPAD producers and appropriate processors or markets.

In addition to activities carried out under the above two components the SZAED Program will also support SPCPD activities aimed at bringing about the adoption of governmental policies and practices favorable to rapid and sustainable economic growth in the SZOPAD; assisting the SPCPD and the ARMM Government to develop the capability to plan and carry out appropriate and effective communications programs.

The activities outlined above will be carried out by a firm contracted by USAID, who may work with and through local non-governmental organizations and other entities.

Section 3. Support from the SPCPD.

To further the objectives articulated in this MOU, the SPCPD will:

Coordinate activities being carried out under this MOU with related programs being implemented and/or financed by other organizations (in order to assure most appropriate distribution of benefits being provided from all programs);

Assist USAID and its contractor as necessary and appropriate to implement the programs and activities discussed above;

Arrange for and/or encourage support for activities carried out under this MOU from relevant SPCPD entities, local government units, national government agencies (at central, regional, and local levels), NGOs, and the private sector;

Facilitate frequent formal and informal interaction, at both the working and policy levels, among SPCPD , USAID, NGOs, the private sector, and other agencies as appropriate;

Identify/propose additional efforts on which USAID and the SPCPD may effectively collaborate.

Section 4. Communications between USAID and the SPCPD.

USAID and the SPCPD will maintain close communications at all levels. SPCPD will appoint one or more representatives to liaise with USAID and its contractor regarding implementation of activities discussed in this MOU. In order to help assure optimal impact of the activities to be implemented under this MOU, a "Management Committee" (MANCOM) will be established. This MANCOM will be chaired by the SPCPD and will include representatives from USAID, the Office of the President-Mindanao, and other organizations that may be deemed appropriate by the SPCPD. The MANCOM will have the following responsibilities:

monitoring implementation of activities carried out under this MOU; providing guidance and advice to the contractor on perceived difficulties in program implementation, and the need for modifications of the program;

reviewing/concurring with proposed sub-activities under this Program and with periodic workplans that may be prepared by contracted firms and individuals working on the program; reviewing and validating actual versus targeted accomplishments laid out in workplans;

providing regular reports/feedback to the relevant GOP agencies on activities being carried out under this Program;

coordinating Program implementation with local government units, national

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Both parties recognize that the signing of the Peace Agreement presents an opportunity to accelerate the economic transformation of all of Mindanao, in particular, the Muslim areas, into a true Zone of Peace and Development. However, for this to happen, the former MNLF combatants and their families must find means of livelihood.

Section 2: USAID Emergency Livelihood Assistance Program

Subject to the availability of funds and to any approvals of the Government of the Philippines which may be required, the United States Government, acting through the U.S. Agency for International Development (USAID), will undertake an Emergency Livelihood Assistance Program intended to benefit those members of the MNLF (and their families) who are not being absorbed into the Armed Forces of the Philippines or the Philippine National Police. It is anticipated that the Program will operate for 12-18 months. The Program will be undertaken in cooperation with the SPCPD. The Program will be part of the overall assistance and cooperation program between the Government of the Philippines and the U. S. Government. The objectives of the Program are to a) provide quick, tangible livelihood start-up assistance for the participants, b) help reestablish good faith among all parties, and c) foster participatory practices at the local level.

To achieve these objectives, USAID will provide technical and limited commodity assistance to up to 2000 former MNLF combatants and their families to assist them to engage in profitable

agricultural and agri-business activities. The assistance will be provided through a firm contracted by USAID, who will work with and through local non-governmental organizations (NGOs) and other entities. SPCPD officials, USAID, NGOs, and other knowledgeable individuals and organizations will identify the particular areas where the program will operate, and the former combatants who will participate in the program. As and if policy guidance entities are established by the GOP and/or the SPCPD to oversee development activities in the SZOPAD, these entities will provide direction as to selection of sites where the Program is to operate. It is anticipated that the program will operate at ten different sites in the SZOPAD area.

The assistance to be provided through this program will consist of supplies and materials required to initiate productive enterprises, and related training and technical assistance. The supplies and equipment will be provided by the contractor to a "community committee" (i.e., a governing board) located at the program site. This community committee will select the former combatants/family members who will participate in the program, and will supervise the distribution of supplies and materials to the participants. Preferably, the supplies and equipment will be provided to the participants on a loan basis, with the participants expected to repay to the Community Committee, in installments, an amount equal to the value of the supplies and equipment over an appropriate period of time. The repaid loans will be placed by the Community Committee into a "Community Fund" and will be used by the Committee for financing appropriate community projects selected through a participatory process. Separate Community Funds will be established at each of the sites where the Program will operate. The various Community Committees shall render periodic reports to the "Management Committee" (discussed below) or other relevant oversight entities that may be established by the SPCPD in conjunction with other relevant GOP agencies in the utilization of the "Community Funds."

USAID will coordinate and cooperate with other livelihood programs targeted toward MNLF former combatants, as well as with other donors and the Government of the Philippines. Maximum efforts will be made to publicize the helpful role being played by the SPCPD in the process.

Section 3. Pilot Literacy Program

As it is clear that a great need exists for expansion and improvement of literacy in some areas of the ZOPAD, USAID may also support the initiation of pilot literacy programs. These programs will involve some 200 - 400 former MNLF combatants/family members

(200 males and 200 females will participate) and will be implemented in four communities selected by the SPCPD, preferably in some of the same communities where the Emergency Livelihood Assistance Program will be implemented. The programs will be approximately one year in duration. If possible, modules on peace education, prosperity consciousness, and value formation will be integrated into the literacy programs. These programs will be implemented by NGOs with demonstrated capabilities in the field.

Section 4: Support from the SPCPD

To further the objectives of this MOU, the SPCPD will:

a. Coordinate activities being carried out under this MOU with related programs being implemented and/or financed by other organizations (in order to assure most appropriate distribution of benefits being provided from all programs);

b. Propose program sites (i.e., camps, communities, etc.) and individuals or organizations which should be targeted by the USAID-supported program;

c. Assist USAID and its contractor as necessary and appropriate to implement the programs and activities discussed above;

d. To arrange for and/or encourage support for activities carried out under this MOU from relevant SPCPD entities, local government units, central government agencies, NGOs and the private sector;

e. Facilitate frequent formal and informal interaction, at both the working and policy levels, among SPCPD, USAID, NGOs, the private sector, and other agencies as appropriate;

f. Identify/propose additional efforts on which USAID and the SPCPD may effectively collaborate.

Section 5. Communications between USAID and the SPCPD

USAID and the SPCPD will maintain close communications at all levels. SPCPD will appoint one or more representatives to liaise with USAID and its contractor regarding implementation of activities discussed in this MOU. In order to help assure optimal impact of the activities to be implemented under this MOU, a "Management Committee" will be established. This Management

Committee will be chaired by the SPCPD, and will include representatives from USAID, NEDA, and other organizations that may be deemed appropriate by the SPCPD. The Management Committee will have the following responsibilities:

- monitoring implementation of activities carried out under this MOU; providing guidance and advice to the contractor of perceived difficulties in program implementation, and the need for modifications of the program;

- reviewing/concurring with proposed sub-activities under this program; and with periodic workplans that may be prepared by contracted firms and individuals working on the Program; reviewing and validating actual versus targeted accomplishments laid out in workplans;

- providing regular reports/feedback to the relevant GOP agencies on activities being carried out under this program;

- coordinating program implementation with local government units, national government agencies, and other concerned organizations;

- setting criteria for and selecting NGOs that will be involved in implementing the program;

- setting criteria for membership in the "community committees" that will oversee implementation of the program at the different sites;

- reviewing/concurring with procedures proposed by "Community Committees" which will govern use of "Community Funds" (i.e., those funds repaid by program participants to the Community Committee which are to be used for financing community projects); monitoring the utilization of the various Community Funds;

- helping to facilitate appropriate dissemination of reporting on program results;

- assisting the contractor to arrange for necessary and appropriate community consultations/input regarding the activities carried out under this MOU;

The Management Committee will meet at least monthly, or more frequently if deemed necessary.

Section 6. Interpretation and Modification

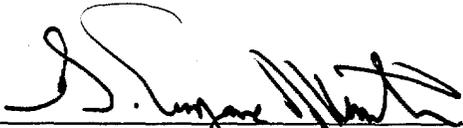
This Memorandum of Understanding constitutes the framework for coordination between United States Government and the SPCPD over the next 12-18 months with respect to this Program. This Memorandum of Understanding may be extended or otherwise amended in writing by mutual agreement of the parties.

In witness thereof, the parties have caused this Memorandum to be signed and delivered by their duly authorized representatives on this 8th day of August 1997.

The Southern Philippines Council
for Peace and Development

The United States of America

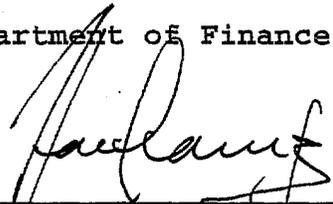
By: 
Nur Misuari
Chairman

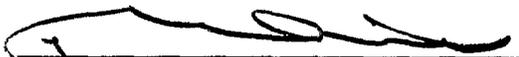
By: 
G. Eugene Martin
Charge d'Affaires

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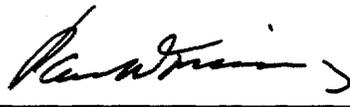
National Economic Development
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By: 
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