

# Transition Initiatives: Philippines Field Report

September - November 2000

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## Country Situation

### Political

In October, a corruption scandal erupted when an impeachment case was filed against President Estrada. The case is based on allegations that the President accepted up to \$8 million from an illegal lottery ring. Several members of his cabinet have since resigned, including Vice-President Gloria Macapagal Arroyo who resigned as Secretary of the Department of Social Welfare and Development. In addition, the President's political party has also suffered several defections of essential Senators and Congressmen. On November 13, the impeachment case was forwarded by the Speaker of the House of Representatives to the Senate for trial. Arroyo, still holding her elected position as Vice-President, has joined the opposition in calling for the President to resign. If he does, she will be the next President of the Philippines. A growing movement against President Estrada has formed, including the Catholic Church's Cardinal Sin who helped inspire the 1986 Marcos ouster. A series of large-scaled protests have taken place in Manila throughout November supported by a cross section of groups including Philippine businessmen, the Catholic Church, leftist groups, and other special interests groups. President Estrada has remained defiant and refuses to resign. His impeachment trial started on December 7.

### Economic

The political scandal in Manila has negatively affected investor confidence in the Philippines and has driven the Peso to all time lows of P51/\$1. In 1997 the Peso was trading at P28/\$1. Recently the World Bank has announced that the Philippines will miss its IMF growth targets and that crony corruption and insurgency in Mindanao will continue to erode investor confidence in the Philippines. One of the main themes of the impeachment protests has been the direct linkage between the sinking Philippine economy and loss of confidence in the Office of the President due to the impeachment scandal.

### Insurgency

The year 2000 has been turbulent for the Philippine Government as its attempts to end the rebel movements in Mindanao. July brought a new phase to the ongoing conflict between the Government of the Republic of the Philippines (GRP) and the Moro Islamic Liberation Front (MILF). The Office of the President announced in early July that all MILF camps were overrun by Armed Forces of the Philippines (AFP) troops. President Estrada launched an initiative to have emergency powers granted to the Executive. He stated that the emergency powers would expedite Mindanao rehabilitation following the five-month military offensive against the MILF. MILF leader Hashim Salamat responded with a call for a jihad against the GRP. On August 9, the GRP placed a P9 million bounty (dead or alive) on MILF Leader Salamat, MILF Vice-Chair for Military Affairs Al Haj Murad, and MILF Spokesman Eid Kabalu. By the end of August the bounty was lifted verbally by President Estrada; however, it remains unclear whether this was lifted officially.

One result of the military campaign against the MILF camps has been the scattering of dozens of armed MILF groups throughout the rural areas of central and western Mindanao. Over the last three months, the military have found themselves bogged down with the occupation of several of the camps. By late October and into November it became apparent that the MILF had started to regroup. They are now launching more coordinated hit-and-run guerrilla attacks against the AFP. These attacks have occurred in the provinces of North Cotabato, Maguindanao, South Cotabato, and Lanao del Sur. One particularly bold MILF attack occurred in General Santos City where it was reported that approximately 100 MILF combatants attacked the city jail and released 68 prisoners. A negotiated settlement is still talked about by both the MILF and GRP, but it is unclear what official peace structure is in place to initiate talks. Recent reports indicate that the GRP may be willing to hold peace talks off shore in another country and accept international mediation.

Finally, the AFP are trying to complete an offensive against the Abu Sayyaf terrorist group who obtained international

attention in April when they kidnapped over a dozen international tourists from a Malaysian resort. One American and one Filipino remain captives. The local newspapers, consumed by the political crisis in Manila, have provided limited coverage of the ongoing AFP offensive on Jolo Island. To further hinder President Estrada's reputation, *Der Spiegel* magazine (Germany) recently wrote an article accusing Estrada and his chief hostage negotiator Robert Aventajado of receiving 40 and 10 percent respectively of the \$20 million paid in ransom by the Libyan government to the Abu Sayyaf. *Der Spiegel* claim the information was obtained when cell phone conversations between Aventajado and the Abu Sayyaf were intercepted by German government surveillance. President Estrada has denied the accusations made by *Der Spiegel* and has threatened to sue the magazine.

## Program Highlights

### TRANSITION ASSISTANCE GRANT (TAG) SUMMARY

Since August 31, no new village based grants have been approved in order to meet close-down deadlines. Since September the focus of field activities have been to complete delivery of all 422 approved grants. The following represents the total number of grants approved and delivered under the OTI/Philippine's Support With Implementing Fast Transition (SWIFT) program since June 1999:

Category	Families	Ex-Combatants	Approved Grants	Delivered Grants	Matching Funds (\$)	USAID Contribution (\$)
Agriculture Production	3,776	2,573	101	95	426,129	257,260
Reconciliation	0	0	38	34	47,992	54,124
Capacity Building & Media*	0	0	4	3	676	187,769
Gender and Development	553	131	16	13	48,212	35,251
Post-Harvest Facilities	6,520	4,740	176	167	674,200	432,486
Village Infrastructure	6,050	2,479	87	74	505,590	246,680
TOTAL	16,899	9,923	422	386	1,702,799	1,213,570

\* In order not to double count beneficiaries the number of families and ex-combatants assisted under the capacity building line are not calculated.

## PROGRESS TOWARD OBJECTIVES

**DA-SWIFT VILLAGE PARTNERSHIP.** Since the signing of the Department of Agriculture-OTI memorandum on March 8, a total of 259 village groups have had projects approved. On October 25, DA Secretary Angara agreed to provide an additional P12 million in grant funding to allow all groups with approved projects to receive DA equipment. This brought the DA's total grant funding provided to P35 million (\$700,000). By the end of November, 135 village groups had received DA equipment deliveries.

**OIC DELEGATION REVIEWS PEACE AGREEMENT.** The 1996 MNLF-GRP peace agreement was reviewed from October 16 to 22 by the Organization of Islamic Countries (OIC). This was in response to the request made by MNLF Chairman Nur Misuari's to have the OIC conduct a fact-finding mission in Mindanao. The purpose of the mission was to verify Misuari's accusations, made during the May OIC meeting in Kuala Lumpur, that the GRP had failed to implement the political and economic components of the 1996 peace agreement brokered by the OIC. The OIC mission unofficially reported to the United Nations the following observations: 1) the progress of integration of MNLF into the Armed Forces of the Philippines has been positive; 2) the differences between the MNLF and the Government in interpreting the political dimensions of the peace agreement continue to be an obstacle to progress; 3) the progress in socio-economic development is noted, as is the need for more efforts; and 4) the government should do more to address the plight of the families displaced by the MNLF-GRP conflict.

PROGRAM EVALUATION: From September 5 until October 6, a two person evaluation team conducted an evaluation of the Philippines program. The concluding statement of the evaluation team stated: "The SWIFT project has accomplished an extraordinary record of performance in its brief life and given hope to close to 100,000 ex-combatant and other vulnerable family members. Clearly it has made a significant contribution to maintenance of an atmosphere for peace. In this sense, it should be considered a resounding success. Technically, in terms of management and delivery, the project has also been highly successful. The volume and quality of services rendered to the target group has been exemplary and should serve as a model for projects in other similar settings. Program processes have been effective, innovative, efficient and low cost. The linkage formation aspect of the project has been especially noteworthy, as has been the associated record of counterpart resource mobilization. This has been vital to both low cost coverage and to the peace and stability related objectives of the project." The final evaluation report is available at the OTI/Washington office.

HANDOFF PLANNING. The program was extended at no cost from December 15 to March 31, 2001. OTI and the USAID Mission in Manila are discussing various hand-off options. USAID Manila has agreed to incorporate various aspects of the program into a follow-on "Arms to Farms" program. USAID Manila is awaiting word from the State Department regarding the outstanding request for \$5 million in FY2001 economic support funds. Due to the questionable funding limitations, it has been hard for USAID to finalize their "Arms to Farms" program design. The program will begin discharging staff on January 15, 2001 with the bulk of the field implementation staff departing the program on February 28, 2001. All offices will be closed on March 31, 2001.

### PROGRAM IMPACT:

OTI's Mindanao program was officially launched on April 26, 1999 when USAID and the Southern Philippine Council for Peace and Development (SPCPD) signed a Memorandum of Understanding. The total OTI funding for the Philippines has been \$3 million. The first field staff deployed on May 15, 1999. From June 1999 to September 2000, the program assisted 378 villages, **nearly 16,900 families** (on average seven persons per family), and **9,900 MNLF ex-combatants** in support of the September 1996 peace agreement (representing 25% of the estimated MNLF ex-combatants). Staff have developed 422 approved grants with 386 delivered to date. Over the past 18 months, OTI implemented projects in seven provinces, 89 municipalities and 324 barangays. As part of the program design, all village-based grants require counterpart matching to assist in building linkages between the MNLF groups and the various GRP offices. To date, the breakdown of counterpart funding for the 378 village-based projects are GRP - 47 percent, OTI - 36 percent, Village Groups - 16 percent, and other - 1 percent. The total estimated cost of the 378 projects is \$2.8 million. The average cost of a village-based project has been \$7,172 with USAID's contribution averaging \$2,600. The status and impact of each grant is being reviewed by OTI progress assessment teams to determine which village groups can stand on their own, which ones need additional training or technical assistance, and which ones have not fulfilled their obligations. Such information will be useful for designing any follow-on program.

The impact that the program has had is much greater than the numbers stated above or the delivery of a corn sheller or rice thresher unit. OTI has brought the foundations of development to the grassroots of the MNLF and disadvantaged Muslim community. It has facilitated linkages between the GRP (local, provincial, and national) and the former MNLF combatants and their families. By doing so, it addresses on a daily basis one of the root causes of the conflict - the lack of government services being delivered to Muslim areas. Over the last 18 months this linkage has evolved from the provision of pledged technical assistance to actual tangible delivery of support (agriculture machinery, construction aggregates, and road renovations). During the first four months of the program, the average percentage of GRP contribution per village project was 28 percent. The GRP matching contribution averaged 51 percent over the last four months. In early 2000, the Philippine Department of Agriculture (DA) joined in partnership with OTI and provided \$700,000 in one-for-one matching of agriculture equipment to OTI supported village groups. This successful partnership, which includes direct oversight by DA Secretary Angara, offers a window of opportunity to leverage additional host country funding. In order for USAID's livelihood assistance to have a long-term impact this trend will need to be continued. OTI micro-infrastructure, post-harvest, and agricultural production not only provided leverage for reluctant GRP offices, but also provided the seeds for future sustainable development in the rural Muslim communities. OTI has demonstrated that with active involvement good partners can be found both in the former combatant community and within the GRP.

### COORDINATION

The World Bank, Asian Development Bank, U.N. Development Program, and OTI have agreed to hold a Community-Based Consultation Conference in General Santos City from January 30 to February 2, 2001. Representatives from East Timor, Cambodia, Sri Lanka, and Philippines will be invited. Each of the donors will be allowed to send two staff and two local representatives from each of the four countries, along with two headquarters staff. Attendees will

spend the first day conducting site visits of World Bank Social Fund, UNDP, and OTI community based projects. The following two days will be used to discuss the findings of the site visits and how the various donor approaches can be used to implement community-based programs in other countries.

### **NEXT STEPS/IMMEDIATE PRIORITIES**

- Continue to encourage the GRP's Department of Agriculture to deliver equipment pledged in the MOU
- Focus field operations on final deliveries and development of final grant reports for village projects.
- Initiate close down admin operations.
- Provide technical guidance to USAID Manila on the design of the follow-on "Arms to Farms" program.