

Philippines 2007 Performance Report

Operating Unit Performance Summary

In FY 2007, the USG continued to implement a broad foreign assistance program that supported four program objectives and worked in 16 program areas and 28 program elements, with targets across 100+ indicators.

In Peace and Security, the USG made significant progress on our top priority, defeating terrorists and fostering peace in Mindanao, through a multi-faceted strategy to eliminate terrorists; deny them sanctuary; strengthen security forces; and promote peace and development. Post's support to the comprehensive Philippine Defense Reform program to thoroughly modernize the Philippine defense establishment met its goals in year three of a multi-year program. Partly as a result, the Philippine military is now conducting its most sustained and successful operations against terrorists. Assistance to the recently-launched police reform effort is also beginning to bear fruit with the establishment of 10 model police stations. Our multi-sectoral development assistance program in Mindanao is continuing to provide greater economic opportunity, more transparent local governance, and better social services to the people of Mindanao, laying the foundations of peace.

In Governing Justly and Democratically, U.S. assistance continued to foster greater accountability, transparency, and efficiency in national and local government. Judicial capacity increased with U.S. support of continuous trial, greater use of mediation, and better case management. Post supported the passage of the elections automation law and better civil society oversight and media coverage of the May 2007 legislative and local elections. To fight corruption, the USG helped to establish corruption prevention safeguards across government agencies.

In Investing in People, U.S. support to education brought increased access to education and better quality instruction in math, science and English for 450,000 primary school students in conflict-affected areas of Mindanao. Post's programs in health supported increased and higher quality private sector provision of health services and improved local government capacity to provide health services to the poor. In Economic Growth, U.S. assistance led to an improved trade and investment climate, including more efficient customs procedures and more competition in aviation and the power sector in selected sites. In Mindanao, U.S. assistance brought increased opportunity for people ranging from micro-entrepreneurs to managers of agri-business.

Program Area Performance \ 1 Peace & Security \ 1.1 Counter-Terrorism

The long-term goal of USG assistance is to help develop a more democratic, well-governed, and secure state that no longer serves as a safe haven for international terrorists. One of the Philippines' key challenges is maintaining its border security. The Philippines heavy reliance on remittances from overseas workers makes it especially vulnerable to foreign source funds being diverted to terrorist networks operating in the country. In addition, southern Mindanao has numerous routes used by terrorists and other criminals. Improving Philippine government control of the vessels, cargo and people moving through this vulnerable area would help diminish the terrorist threat.

USG assistance to the Philippine government directly supported the US Mission's top priority to deny terrorists sponsorship, support, and sanctuary; support the Philippine government's capacity to detect, deter, counter, and investigate terrorist activities in the Philippines; and improve internal program support. The Philippine government is working closely with the US government to enhance its counterterrorism capabilities.

Our counterterrorism effort continues to be a coordinated, interagency approach, spanning the spectrum from USAID's economic development programs to public diplomacy outreach, Joint US Military Assistance Group training exercises, Diplomatic Security Anti-Terrorism Assistance, and Joint Special Operations Task Force-Philippines civil military operations.

In FY 07, the 27 agencies at post conducted training programs designed to identify, investigate, and interdict finances intended for terrorist activities, secure borders, and identify terrorists; and enhance ability to combat cyber-terrorism, conduct post-blast investigations, and implement explosive incident countermeasures. As a result, the Philippine National Police now have state of the art capabilities enabling them to extract digital evidence in support of ongoing terror/criminal investigations. In addition, faster blast site investigations are being conducted, which has led to more effective forensic analysis.

Program Element Performance \ 1 Peace & Security \ 1.1 Counter-Terrorism \ 1.1.1 Deny Terrorist Sponsorship, Support and Sanctuary

US assistance to the Philippine government directly supported the US Mission's top priority to deny terrorists sponsorship, support, and sanctuary. The Philippine government is working closely with the US government to enhance its counterterrorism capabilities. Post's initiatives helped the Philippine government cut off sources of funding for terrorists and helped increase its ability to monitor the flow of funds through legitimate and illegitimate institutions and methods.

Our counterterrorism effort continues to be a coordinated, interagency approach, spanning the spectrum from USAID's economic development programs to public diplomacy outreach, Joint US Military Assistance Group training exercises, Diplomatic Security Anti-Terrorism Assistance, and Joint Special Operations Task Force-Philippines civil military operations. To that end, US assistance enhanced the Philippines government's ability to secure its borders through provision of training and equipment to Philippine law enforcement and military forces.

In FY07, USG assistance trained 1,015 persons in programs designed to identify, investigate, and interdict finances intended for terrorist activities, secure borders, and identify terrorists. Southern Mindanao has numerous routes used by terrorists and other criminals. Improving Philippine government control of the vessels, cargo and people moving through this vulnerable area will help diminish the terrorist threat. Along with Japanese and Australian counterparts, the Mission forwarded a trilateral needs assessment to the Philippine government, which proposed a series of improvements to enhance the security at ports in Davao and General Santos City, two cities in southern Mindanao.

Program Element Performance \ 1 Peace & Security \ 1.1 Counter-Terrorism \ 1.1.3 Governments' Capabilities

The Anti-Terrorism Assistance (ATA) program has made significant strides in enhancing the capacity of Philippine law enforcement agencies to detect, deter, counter, and investigate terrorist activities in the

Philippines. The ATA program conducted advanced and specialized training primarily in the areas of cyber-terrorism, post blast investigations (PBI), and explosive incident countermeasures. In FY07, there was an increase in the cadre of post blast investigation personnel in Mindanao from a handful to 28 fully trained PBI investigators. Coupled with enabling equipment grants, the impact was immediate as ATA-trained investigators were able to quickly respond to bombings in Zamboanga, Cotabato, and General Santos City.

The ATA program successfully conducted the first in-country explosive incident countermeasures course in Mindanao, primarily for explosive ordnance disposal units in the region. This training enhanced the capability of these units to identify, neutralize, and safely dispose of improvised explosive devices. On cyber-terrorism, the ATA program improved the Philippine government's capacity by providing the skills and equipment necessary to properly seize and analyze digital evidence contained on cellular devices through the use of the latest forensic hardware and software solutions. The Philippine National Police now has state of the art capabilities to extract digital evidence supporting terror/criminal investigations. In FY07, the program was further institutionalized as ATA alumni at the Philippine Public Safety College conducted another iteration of Cyber Response Awareness to police cadets.

Program Element Performance \ 1 Peace & Security \ 1.1 Counter-Terrorism \ 1.1.4 Program Support (Counter-Terrorism)

During FY07, Diplomatic Security's Anti-Terrorism Assistance (ATA) Manila Office completed construction of its new facilities in one of the Embassy's compounds. Previously, the ATA staff had been located in various offices. In January 2007, the ATA staff moved into their new offices with ample space for effective operations and the administrative tasks for its counter-terrorism courses. These new offices also allow ATA to work, coordinate, and formulate plans together, enhancing the offices's productivity.

Element Indicator Narrative \ 1 Peace & Security \ 1.1 Counter-Terrorism \ 1.1.1 Deny Terrorist Sponsorship, Support and Sanctuary

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Element Indicator Narrative \ 1 Peace & Security \ 1.1 Counter-Terrorism \ 1.1.3 Governments' Capabilities

The Anti-Terrorism Assistance (ATA) program made significant strides in FY 2007 to enhance the capacity of Philippine law enforcement agencies to detect, deter, counter, and investigate terrorist activities in the Philippines. The trainings have become more specialized and advanced. Because the program targets specific units, we have adjusted the FY 2008 training targets.

Program Area Performance \ 1 Peace & Security \ 1.2 Combating Weapons of Mass Destruction (WMD)

In order to protect against the illicit movement of Weapons of Mass Destruction (WMD) and relevant technologies through the Philippines, the USG supports Philippine efforts to improve security at its borders and to control strategic trade through the implementation of an export controls system. Strong export and border control systems are the frontline of efforts to prevent the proliferation of WMD and a key component of the war on terror. Border management in the Philippines struggles under the pressures of poor physical

and information technology infrastructure and insufficient capital and human resources.

US assistance in FY07 supported various trainings and projects that enhance the Philippine government's ability to control strategic trade in WMD relevant technologies. FY07 funds have contributed to strengthened legal and regulatory frameworks, licensing processes, border controls and other enforcement capabilities. The long-term goal is to enable the Government of the Philippines to develop a comprehensive export controls system that meets international standards.

Program Element Performance \ 1 Peace & Security \ 1.2 Combating Weapons of Mass Destruction (WMD) \ 1.2.1 Counter WMD Proliferation and Combat WMD Terrorism

US assistance in FY07 supported various trainings and projects that strengthen the Philippine government's ability to control strategic trade in Weapons of Mass Destruction (WMD) relevant technologies. A port enforcement assessment conducted in May 2007 proved highly productive in determining inspection/detection equipment and training needs for the Philippines' Bureaus of Customs and Immigration and helped establish short-term targets and longer-term projects. A USG-funded Legal Technical Forum workshop in March was a cooperative effort to establish appropriate legal authorities and infrastructure to support an effective export control system.

Ten senior level officials traveled to the United States in June 2007 for a one-week Senior Policy Exchange program. The training was designed to establish a comprehensive export control system consistent with international standards. Philippine Ambassador Fianza from The Office of the Special Envoy of Transnational Crime attended the Senior Policy Exchange Training. His office has taken the lead in developing a unified export control law. In September, 25 Government of Philippines' officials attended the Proliferation Awareness Training learning about proliferation threat and basic elements of an effective strategic trade system necessary to combat the threat. The US sponsored four government officials to attend the Export Control Academy hosted by the University of Georgia Center of International Trade and Security. This academy provided a comprehensive overview of strategic trade control practices and policy.

The equipment installed at the Manila International Container Terminal under Megaports Initiative became operational at the end of FY07. The Philippine port authority reports they are screening 100 percent of outgoing and incoming cargo containers.

Element Indicator Narrative \ 1 Peace & Security \ 1.2 Combating Weapons of Mass Destruction (WMD) \ 1.2.1 Counter WMD Proliferation and Combat WMD Terrorism

Our assistance in FY07 supported trainings and projects that helped strengthen the Philippine government's ability to control strategic trade in WMD relevant technologies. We expect this assistance to continue in FY 2008, at which time we hope a valid export control system meeting international standards will be in place.

Program Area Performance \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform

The Philippines is on the front lines in the global war on terror and is a cooperative counter-terrorism (CT) partner. US assistance directly supported the US government's goal to deny terrorists safe haven and

encourage communities to win the ideological battle against terrorism. Post improved the ability of the military to respond to terrorism and helped the Government of the Philippines to direct and coordinate all national CT efforts.

The USG enabled strategic, meaningful, and long-term reform within the Philippine military to enable it to independently counter terrorist threats through the Philippine Defense Reform (PDR) program. PDR addresses fundamental weaknesses in the Department of National Defense (DND) and the Armed Forces of the Philippines (AFP). PDR is creating a more capable force, able to respond to the terrorism and insurgency challenges the Government of the Philippines faces.

The main thrust of police reform and development activity during FY07 was to assist the Philippine National Police with meeting the developmental goals embodied in their ten-year Integrated Transformation Plan (ITP), which resulted from USG and UN assessments. A high priority component in the ITP is the development of 10 model police stations. Post has undertaken training and developmental activities at the 10 stations and along the way worked to build a capacity within the PNP to replicate successes. A cornerstone of the program has been to train, mentor, and develop a competent cadre of police instructors in each model station location.

Program Element Performance \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform \ 1.3.6 Defense, Military, and Border Restructuring, Reform and Operations

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US funding for the PDR initiative began in FY05, and assistance is projected to continue through FY09. The Government of the Philippines will fund the majority of PDR implementation costs. Through an extensive training program, the USG will expose AFP counterparts to U.S. military systems, procedures, and values. The goal is to establish long-term relationships that foster continued access and positive influence. Post also enhanced military and law enforcement cooperation through joint and multilateral training, exercises, and exchanges.

Other USG Foreign Military Financing (FMF) funded programs improved critical weapon systems and key support and logistics functions. This included support of air, surface, and ground assets, specifically those components linked to the Global War on Terror. The FMF program met all target goals for FY 07. The International Military Education and Training (IMET) program also met its goals. Philippine military and civilian leaders took part in Professional Military Education, Management, and Technical courses resulting in 136 personnel trained. Post also brought two Military Training Teams to the Philippines to conduct additional training.

Program Element Performance \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform \ 1.3.7 Law Enforcement Restructuring, Reform and Operations

The main thrust of police reform and development activity during FY07 was to assist the Philippine National Police (PNP) with meeting the developmental goals embodied in their ten-year Integrated Transformation Plan (ITP), which resulted from USG and UN assessments. A high priority component in the ITP is the development of 10 model police stations (MPS). Post has undertaken training and developmental activities at the 10 stations and worked to build a capacity within the PNP to replicate successes. A cornerstone of the program has been to train, mentor, and develop a competent cadre of police instructors in each model station location. Proper instructor development requires time and includes training, mentoring, and on the job experience. As the program moves forward, Filipino instructors will factor more prominently into the delivery of future model police station training.

Other activities included in the MPS development program include the establishment of community policing strategies and practices, investigative competencies, basic supervision, civil disturbance management, police ethics, and human rights and dignity. During FY07, a total of 1,202 personnel from various model police stations received training and more than 2,500 person hours were devoted to policy development and community relations. In FY08, additional training and development projects will be structured to build upon the foundational knowledge established through previous project activity.

In addition to the MPS project, other police trainings of special interest to Post were undertaken. An Unlawful Killings Investigation and Prosecution seminar was conducted through which Filipino investigators, prosecutors, and human rights commissioners were able to discuss strategies to address extra-judicial killings in the Philippines with US experts. The program included representatives of the FBI, US Attorney's Office, US Marine Core Judge Advocate General, US Department of Justice/International Criminal Investigation Assistance Training Program, and several Filipino experts. Other ad hoc trainings have included crime scene investigation courses at locations in northern Luzon and Mindanao, as well as Instructor Development training for the National Forensic Science Training Institute, all of which were targeted to improve investigative capacities and enhance the PNP's ability to further their own training programs. In all, 159 personnel were trained in these special projects.

Element Indicator Narrative \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector Reform \ 1.3.6 Defense, Military, and Border Restructuring, Reform and Operations

The Joint US Military Assistance Group-Philippines Mission takes a holistic approach towards assisting the Armed Forces of the Philippines rather than focusing on one particular mission set. Well-trained and adequately-equipped units are capable of conducting a broad range of tasks to include counter-terrorism and protecting territorial integrity. The Armed Forces of the Philippines is also actively engaged in their own stated priority of internal security against insurgent and anti-government entities. The Armed Forces of the Philippines (AFP) combat units essentially remain limited to one service providing transport to another. There are very few Joint Operations conducted at the tactical level. However, at a higher, operational level, Philippine Army and Philippine Marine Corps units have been deployed against separate targets in counter-terrorism operations and were commanded by Joint Task Force Commanders. US assistance to these operations is limited to intelligence sharing and planning assistance at the Battalion level and higher. This assistance is provided by the Joint Special Operations Task Force-Philippines exclusively.

Element Indicator Narrative \ 1 Peace & Security \ 1.3 Stabilization Operations and Security Sector

Reform \ 1.3.7 Law Enforcement Restructuring, Reform and Operations

In FY 2007, a Senior Law Enforcement Advisor began work on an ambitious assistance project with the Philippine National Police. The project progressed very well during the year, so much so that the Mission significantly exceeded our training targets. The FY 2008 targets have been adjusted as well to reflect our expectations this year.

Program Area Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics

Counter-narcotics law enforcement remains a high priority of the Philippine government. Law enforcement efforts are relatively effective despite inadequate funding for the various government counter-narcotics agencies. Philippine Drug Enforcement Agency (PDEA) officials believe International Law Enforcement Academy and U.S. Joint Interagency Task Force-West (JIATF-W) training for law enforcement and military personnel have helped make interdiction operations more efficient and effective. Philippine law enforcement agencies continued to target major traffickers and clandestine drug labs in 2007. Significant successes included the seizures of five large clandestine laboratories. In September 2007, the Philippine National Police (PNP) recovered 246 kilograms of high-grade methamphetamine from an overturned vehicle on an expressway south of Manila; PNP estimated the potential street price of the drugs to be US\$27.33 million.

The JIATF-W conducted six counter-drug training exercises for nearly 300 Philippine officers in FY07. Instructors were US Special Forces and Drug Enforcement Agency (DEA) agents. The DEA International Training Division, conducted a clandestine laboratory safety course which included the donation of much-needed safety equipment for laboratory first-responders. The DEA and other USG Mission sections have an excellent dialogue with Philippine counterparts on narcotics issues, both in intelligence for enforcement and in policy.

Program Element Performance \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.3 Interdiction

In 2006, the Philippine government law enforcement agencies reportedly seized 1,436 kilograms of methamphetamine, 98.0 kilograms of Ketamine, 2.713 million marijuana plants and seedlings, and 6,254 kilograms of marijuana leaves. The government has dismantled five clandestine methamphetamine mega-laboratories so far in 2007. As of October 2007, the Philippine Drug Enforcement Agency (PDEA) seized 329 kilograms of methamphetamine, 32 kilograms of Ketamine, 2.5 million marijuana plants and seedlings, and 793 kilograms of marijuana leaves.

Counter-narcotics law enforcement remains a stated high priority of the Philippine government, but this does not lead to the needed resources for operations. However, law enforcement efforts are relatively effective despite inadequate funding. PDEA officials believe USG training for law enforcement and military personnel has helped make interdiction operations more efficient and effective.

The US Joint Interagency Task Force-West (JIATF-W), in support of the US Drug Enforcement Agency's (DEA) requests, conducted six counter-drug training exercises for nearly 300 Philippine officers in FY07. Instructors were US Special Forces and DEA agents. DEA International Training Division conducted a clandestine laboratory safety course which included the donation of much-needed safety equipment for laboratory first-responders. DEA and other Mission sections have an excellent dialogue with Philippine counterparts on narcotics issues, both in intelligence for enforcement and in policy.

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The indicators for Counternarcotics and Interdiction activities will be changed from kilograms of illegal narcotics and precursors seized to total number of arrests, as there is no accurate baseline for measuring the total scope of illegal narcotics or precursors in the country.

Element Indicator Narrative \ 1 Peace & Security \ 1.4 Counter-Narcotics \ 1.4.3 Interdiction

The Philippine Government has not completed its count of seizures for 2007. Particularly statistics on marijuana eradication and seized chemicals are inaccurate until all counter-narcotics government agencies (i.e, Drug Enforcement Agency, Customs and the Philippine National Police) have provided their seizure stats. We expect more accurate numbers in January 2008. Significant successes in FY 2007 included the seizures of five large clandestine laboratories. In September, the PNP recovered 246 kilograms of high-grade methamphetamine from an overturned vehicle on an expressway south of Manila; PNP estimated the potential street price of the drugs to be P1.23 billion (US\$27.33 million).

Program Area Performance \ 1 Peace & Security \ 1.5 Transnational Crime

In FY2007, USG assistance to the Philippine government and the non-governmental organizations in combating trafficking in persons have resulted in considerable progress particularly in the areas of prosecution, law enforcement coordination, prevention, and victim protection and assistance. During the fiscal year, three convictions involving four persons were promulgated in Zamboanga, Davao and Cebu under the 2003 Anti-Trafficking in Persons Law. In FY2007, 1,008 persons of which 453 are women and 299 were men, were trained on trafficking related issues with USG assistance. The Inter-Agency Council Against Trafficking (IACAT), through USAID support, conducted trainings for prosecutors, social workers, and consular officers to improve investigation and prosecution of trafficking cases, and delivery of protective and rehabilitative services to the victims. During the fiscal year, the USG continued support to the conduct of the roadshow campaign on human trafficking in Mountain Province, Southern Tagalog, and Cagayan Valley. The roadshow campaign is a series of activities designed to build the awareness of the public on human trafficking, improve the capability of frontline service providers and establish local mechanisms to combat human trafficking in the area. In February 2007, the first airport anti-trafficking taskforce was established at the Manila International Airport. The taskforce, composed of members from various government agencies operating at the airport, will work to improve the interception, investigation, and prosecution of traffickers and coordinate immediate assistance to trafficking victims. During the fiscal year, the Port Halfway Houses in the Manila North Harbor, Batangas Port, and Davao Sasa Port, all operated by the Visayan Forum, have assisted a total of 1,006 trafficked women and children. These trafficking victims were provided temporary shelter, counseling, information assistance, resiliency workshops, skills training, psycho-social interventions, and in some cases, facilitation for filing of cases and repatriation. A total of 2,058 people were served in the port halfway houses since the start of the project in 2005. The special Newsbreak publication on Human Trafficking was launched in September. This issue features in-depth and investigative stories on human trafficking and its complexities, activities taken to combat it, experiences recounted by trafficking victims, and success stories of anti-trafficking initiatives.

Program Area Performance \ 1 Peace & Security \ 1.6 Conflict Mitigation and Reconciliation

The triggers of violent clashes between feuding clans or ethnic groups may take any of numerous forms: land disputes, political rivalries, crime, competition for business or resources, non-payment of debts, inter-clan marital disputes, and other causes that are generally viewed as insults to family honor. Conflicts between individuals are often ratcheted up to warfare between extended families resulting in numerous casualties, dislocation, loss of livelihoods, destruction of property, feelings of insecurity and anxiety in the community, and escalation to higher and more widespread levels of violence.

USG-sponsored research on clan conflict has been invaluable in documenting, the causes, dynamics and management of this phenomenon. One major lesson is that clashes between clans are often triggered by disputes that can be resolved at the community level if alternative dispute resolution (ADR) mechanisms are available. In the last year, the USG supported the establishment or strengthening of ADR mechanisms in approximately 250 villages in Mindanao bringing the total number of villages in conflict-affected areas with ADR capabilities to 1,306. In the last five years, more than 9,000 community-based volunteer mediators have been trained and mobilized to help settle thousands of disputes before they could escalate into violent conflict. A number of high profile, long running clan feuds between powerful families were also settled with the help of USG-supported civil society organizations using indigenous methods of settling conflict.

The strengthening of village ADR mechanisms is done in collaboration with municipal and village-level local government units (LGUs). Demonstrable success in reducing the frequency of violent conflict in villages covered by this activity has encouraged more and more LGUs to fund the inclusion of additional villages under this activity. To date, an additional 106 villages were added to the coverage of this activity completely funded by LGUs.

Program Element Performance \ 1 Peace & Security \ 1.6 Conflict Mitigation and Reconciliation \ 1.6.1 Conflict Mitigation

During the past fiscal year, more than 2,700 volunteer mediators coming from 250 villages in the Autonomous Region in Muslim Mindanao (ARMM) and the province of Lanao del Norte received training in mediation, negotiation and other indigenous modes of conflict resolution. Volunteers, approximately 25% of whom are women, mediated an estimated 3,000 disputes with an average successful resolution rate of 80%.

An evaluation of this activity was conducted in FY 07 and provided interesting insights into its impact in promoting peace. The conditions in villages before and after the establishment or strengthening of alternative dispute mechanisms (covering a two-year gap from 2004 to 2006) were compared. Based on records kept by village officials, the evaluation revealed that in four out of the six areas covered by the activity (i.e. the provinces of Maguindanao, Sulu and Basilan, and the city of Marawi) the incidence of violent conflict was reduced by an average of 41% in a span of two years.

Villages covered by the activity were also compared with similar villages not covered to determine significant differences. A comparison of villages covered and the control group also disclosed that participating communities were significantly better off in terms of the number of disputes amicably resolved, knowledge and appreciation of ADR methods, presence of functioning village-level system for the redress of grievances or mediation of disputes, harmony among culturally diverse groups, and the appreciation of the role of women as peace advocates and dispute mediators.

Element Indicator Narrative \ 1 Peace & Security \ 1.6 Conflict Mitigation and Reconciliation \ 1.6.1 Conflict Mitigation

The FY 07 target number of people trained in conflict mitigation was based on 500 villages. Refresher training activities, however, were also conducted in more than 700 other villages thus explaining the higher than expected results. The FY 08 target number of people trained was slightly revised downwards because the project will only cover 150 villages during this period. The number of facilitated events was also slightly decreased for the same reason. The target number of men and women trained for FY 08 were reversed to correct a clerical error last year. Nevertheless, this activity has significantly raised the role of women as peace advocates and mediators of disputes. This activity has succeeded in raising the percentage of women mediators from nearly zero at the start to approximately 25%.

Program Area Performance \ 2 Governing Justly & Democratically \ 2.1 Rule of Law and Human Rights

After almost seven years of implementing a wide ranging reform program, that enjoys broad support from the donor community including the USG, the Philippine Supreme Court (SC) is making headway in restoring public confidence in the judiciary. Under the leadership of the SC, the judiciary has emerged as a stronger, more independent institution exemplified by the SC's reversal of several government policies last year which were deemed as infringements on civil liberties. The SC also showed leadership in promoting and protecting human rights by convening the "Summit on Extrajudicial Killings and Enforced Disappearances" to focus attention on the alarming spate of assassinations of political activists and journalists and identify concrete actions that need to be taken.

The Social Weather Survey conducted by the Social Weather Stations (SWS), the most credible polling organization in the Philippines, in September 2007 showed that the judiciary had one of the highest approval ratings (+24%) among the main branches of government. A survey of more than 700 businesses conducted by SWS in the first quarter of 2007 also gave the SC, the anti-graft court and the trial courts positive ratings of +52%, +14% and +10%, respectively. USG assistance has made significant contributions in the following thematic areas: promoting efficiency (including the introduction of court-annexed mediation, continuous trial and case management systems), building capacity, strengthening accountability and transparency, and improving access to justice.

Nevertheless, the courts continue to suffer from a lack of resources, low capacity and perceptions of corruption. The heavy congestion of court dockets has resulted in negative consequences including serious delays in the adjudication and disposition of cases. At present, it takes an average of four years for a case in the lower courts to be disposed. Weak enforcement and inefficiencies in the adjudication of cases have led to a culture of impunity that encourages human rights violations, including extrajudicial killings. The State's capacity to prosecute and convict human rights violators is further hampered by a range of factors that include: overloaded prosecutors with little or no training in handling human rights cases, ineffectual police investigations, lack of evidence, and the lack or unwillingness of witnesses to come forward.

Program Element Performance \ 2 Governing Justly & Democratically \ 2.1 Rule of Law and Human Rights \ 2.1.3 Justice System

USG assistance to judicial reforms implemented by the Supreme Court (SC) has made significant

contributions and produced tangible results in the following thematic areas: promoting efficiency, building capacity, strengthening accountability and transparency, and improving access to justice

Court-annexed mediation (CAM) in the trial courts and continuous trial in the anti-graft court are two areas among many supported by the USG to promote judicial efficiency. CAM is a process by which litigants appear before a trained mediator to explore the possibility of voluntary settlement of civil cases. The USG helped establish CAM to decongest the heavily clogged dockets of the trial courts. When CAM was introduced in late 2001, the backlog had reached its peak of 839,000 cases. Last year, more than 20,000 cases were referred to mediation and approximately 70% of these cases were successfully resolved. CAM along with other measures adopted by the Supreme Court to hasten the disposition of cases successfully reversed the increasing trend of the backlog. In the last five years, the backlog decreased by almost 100,000 cases.

The introduction of continuous trial at the anti-graft court (Sandiganbayan) has also produced encouraging results. Justices reported that processes such as the presentation of prosecution evidence take only a week under continuous trial as opposed to almost a year under a piecemeal trial. Hearing the testimony of witnesses over several successive days rather than several months of infrequent appearances has increased judicial ability to gauge the reliability of witnesses and rule effectively. Additionally, with the prospect of delaying tactics eliminated, the accused in almost half of the graft cases under continuous trial (22 out of 54 cases) opted to enter plea agreements effectively concluding their cases.

In other areas in the past year, the USG supported the development of case management systems for the Court of Appeals and Court of Tax Appeals, the streamlining of court procedures to fast track the resolution of cases, the conduct of more transparent judicial appointments, the training of judges and court personnel in the judicial code of conduct, and the upgrading of court facilities in 14 regional trial courts in the Autonomous Region in Muslim Mindanao.

Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.1 Rule of Law and Human Rights \ 2.1.3 Justice System

The FY07 targets increased substantially due to the additional funding received for this element and two new implementing mechanisms created after the FY07 OP has been prepared. Training primarily covered the following areas: ethics and the rules of conduct for judges and court personnel, mediation and other forms of alternative dispute resolution, court and docket management, gender sensitivity, and use of management information systems.

Program Area Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance

During FY 07, USG achieved solid accomplishments in promoting transparency and accountability in governance and fighting corruption both at the national and local levels.

At the national level, USG technical assistance to the anti-graft court has led to the development of an automated case management system that made the court more efficient, and the introduction of continuous trial that reduced delay in the adjudication of graft cases. Development of similar case management systems in the Court of Tax Appeals and the Court of Appeals started during the fiscal year and is ongoing. USG technical assistance to the Civil Service Commission led to the development of a new statement of assets, liabilities and net worth (SALN) form that will make it easier to detect corrupt government officials who

perjure their declarations. In support of procurement reform, USG assisted the training of more than 100 bids and awards committee members from civil society who will monitor government procurement activities. Finally, USG supported organizational capacity building efforts of the Transparency and Accountability Network, a coalition of more than 20 anti-corruption civil society organizations (CSOs), and other CSOs to strengthen their abilities and effectiveness in advocating transparency, accountability and good governance.

USG focused assistance to promote good governance at the local level in Mindanao, reaching 16 of the region's 27 cities and scores of municipalities in the Autonomous Region in Muslim Mindanao (ARMM) and other conflict-affected areas. USG technical assistance to the 16 cities in Mindanao has resulted in the streamlining of business permits and licensing process, effectively reducing processing time from as long as seven days to less than one, and an average increase of 25% in business tax collections. During FY 07, USG assisted coalitions of local governments, business and CSOs to promote greater transparency and participation in governance, and 10 local NGO networks to monitor procurement.

USG also supported highly participatory and transparent budgeting and planning processes in municipalities and villages in the ARMM and other conflict-affected areas. Finally, USG trained women political leaders (councilors) from 49 municipalities throughout the Philippines in conflict management and good governance.

Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization

The USG made significant headway in assisting Filipino partners improve local governance during the year in 16 of Mindanao's 29 cities and in scores of municipalities in the Autonomous Region in Muslim Mindanao (ARMM) and other conflict affected areas.

USG funding to the Asia Foundation's Transparent and Accountable Governance (TAG) Project supported streamlining of the business permits and licensing process in 16 cities and well as revenue generation initiatives through business and real property tax collections. Cumulative progress since 2002 has resulted in reducing the time it takes these cities to issue or renew business permits from as long as seven days to less than one. Participating cities have succeeded in registering more businesses, many previously in the informal sector with insecure land tenure, in the process securing their right to operate on the property on which they reside and raising business tax collections by some 25 percent. USG support of coalitions between city governments and the business and NGO sectors have been instrumental in achieving these results and has contributed to greater transparency and democratic participation in local governance. During the reporting period, USG assistance also helped establish 10 local networks of NGOs to serve as watchdogs over local government procurement processes.

During FY 2007, USG also provided technical assistance and training to municipalities and communities in the ARMM and other conflict affected areas to formulate development plans and budgets and improve their local government services. The Mission also trained women councilors from 49 municipalities across the Philippines (16 from Mindanao) in conflict management and good governance.

Program Element Performance \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.4 Anti-Corruption Reforms

The USG achieved significant gains in making corruption a high-risk, low reward activity and to complement the anti-corruption activities implemented under the Millennium Challenge Account Philippine Threshold Plan.

At the anti-graft court (Sandiganbayan), a USG-funded case management information system became operational in April 2006. Case processing in the anti-graft court is now automated--making it easy for the justices and their staff to track the status of cases and identify those that are overdue or require timelier attention. The introduction of continuous trial in early 2007 at the anti-graft court has produced very encouraging results. Justices reported that processes such as the presentation of prosecution evidence took only a week under continuous trial as opposed to almost a year under a piecemeal trial. Hearing the testimony of witnesses over several successive days rather than several months of infrequent appearances has increased judicial ability to gauge the reliability of witnesses and rule effectively. Moreover, with the prospect of dilatory tactics eliminated, the accused in almost half (22) of the 54 pilot cases selected for continuous trial opted to enter plea agreements effectively concluding their cases. With the success of the pilot test, the anti-graft court's presiding justice is now considering the full blown implementation of continuous trial for all cases that will be filed starting in 2008.

There have also been major successes in reducing the scope and opportunities for corruption. With technical assistance from the USG, the Civil Service Commission (CSC) revised the statement of assets, liabilities and net worth (SALN) form to correct its defects and make compliance with the annual filing requirement for all government employees easier. The new form will make it easier for the government prosecutors to pin down corrupt government employees and officials who perjure their declarations in the SALN.

USG provision of technical and training assistance to PAGC has strengthened its investigative capability which enables it to pursue investigations against high ranking government officials and recommend sanctions, including dismissal, if warranted. Finally, case management systems being developed for the Court of Tax Appeals, Court of Appeals and soon the Supreme Court are also expected to enhance transparency and reduce opportunities for corruption in the courts.

Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.2 Public Sector Executive Function

There is no reporting on results for these targets for FY 2007 because activities that had previously been conceived of as falling under \"public sector executive function\" were deemed, in consultation with the Office of the Director of Foreign Assistance in March 2007, to fall more appropriately under economic growth. This resulted in a reprogramming of \$1.3 million in funds from public sector executive function to program elements that fall more clearly within the rubric of \"Governing Justly and Democratically,\" eg. human rights and justice sector. The remaining program under this program element, which provides for civil society oversight of the national budget process, only began in October 2007. Hence there are no results to report for FY 2007. With fewer activities under this program element, the FY08 targets have been revised accordingly. FY08 targets for indicators that will be dropped as a result of the reprogramming have been set to zero.

Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.3 Local Government and Decentralization

Performance for the local governance indicators either met or exceeded targets. Indicator 2.2.3, \"number of

sub-national government entities receiving USG assistance to improve their performance,\" includes assistance to enhance local government performance in the USG's health, environment, and education sectors in addition to local governance strengthening per se. Training in local governance on the other hand greatly exceeded targets, in part because the original target erroneously did not include trainings conducted by sub-grantees, rather just USAID's prime implementing partner. Accordingly, the target for this indicator was revised upwards for 2008. Targets were revised downwards for two indicators -- number of subnational governments receiving USG assistance to increase their own source revenues, and number of nongovernmental and public sector associations supported with USG assistance -- because the Mission's new local governance program plans to deepen rather than widen assistance.

Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.2 Good Governance \ 2.2.4 Anti-Corruption Reforms

The training of government officials in anti-corruption focused on agencies that are not covered by the Millennium Challenge Account Philippine Threshold Plan but nevertheless implement complementary activities. One such example is training assistance (e.g. financial investigation, project management, monitoring and evaluation, etc.) provided to the investigators and staff of the Philippine Anti-Graft Commission, which among other responsibilities, monitors the implementation of anti-corruption activities in executive agencies. Training of non-government organization personnel focused on the strengthening of public involvement in anti-corruption work such as participation in lifestyle checks of public officials and the monitoring of government infrastructure projects (e.g. building of schools). The number of people trained were swelled by the large number of volunteers who participated.

Program Area Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building

Post made considerable progress in supporting a more credible electoral process in the Philippines during FY 07, notwithstanding the many and significant weaknesses that remain in the Philippine electoral system. USG supported both administration and civil society oversight of the electoral process, with a particular focus on the May 14, 2007 legislative and local elections.

While making headway in a variety of areas, the USG's program had the largest impact in giving civil society the support it needed to effectively monitor the polls on May 14 as well as the traditionally fraud-prone process of tabulating the election results known in the Philippines as "canvassing." USG funds allowed civil society to deploy in force to Mindanao where fraud reportedly occurred on a large scale in past elections. Post-supported civil society groups for the first time were able to effectively monitor the vote and canvassing of results and report on incidents of possible fraud. National media reported extensively on the findings of USG-supported NGOs that detailed voting anomalies in Mindanao. While fraud reportedly continued to be a feature of the 2007 elections in Mindanao, there is anecdotal evidence to suggest that the more intensive monitoring and media outreach of civil society likely deterred even more serious fraud from taking place. Reports of problems with the conduct of the elections by USG-supported groups also have generated a movement for reform as the Philippines contemplates changes in preparation for Presidential Elections in 2010.

USG also supported much-needed training and basic manuals for 854 staff at the Commission on Elections (COMELEC) in election administration, the first training and materials that COMELEC staff had received in more than a decade. Funding provided by Post also enabled COMELEC to air numerous radio and TV

infomercials raising with the Filipino public the importance of safeguarding their vote. USG support also enabled the training of 423 judges and 569 clerks of court in relevant election laws for handling election disputes filed in court.

Finally, USG trained some 185 journalists in methods to more effectively report on elections, which preliminary results indicate resulted in more informed election coverage. Finally, USG funds enabled civil society groups to make the first concerted effort to address and monitor the many issues surrounding campaign finance in the Philippines.

Program Element Performance \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.2 Elections and Political Processes

In FY 07, USG supported the following initiatives to improve elections and political processes in the Philippines.

- 1) Through a train-the-trainer program, training for COMELEC staff from the provincial to the local levels in election administration and ethics;
- 2) Provision of election handbooks and training guides to COMELEC staff, which served as the primary instruction material for training in election administration and ethics;
- 3) Support to the civil society group, the Citizen's Coalition for ARMM Electoral Reform (C-CARE), to conduct voter education and election monitoring in the Autonomous Region in Muslim Mindanao (ARMM);
- 4) Support to the Philippine Judicial Academy (PHILJA) to train judges and clerks of court in more effectively resolving electoral disputes;
- 5) Support to LENTE, a consortium of civil society groups, to monitor the vote tabulation/aggregation process, known in the Philippines as the "canvassing" of results;
- 6) Support to civil society groups (the Transparency and Accountability Network, LIBERTAS, the Philippines Political Science Association, and the Access to Information Network) to monitor campaign finance in selected electoral races;
- 7) Support to media NGOs to monitor media coverage of the May 2007 election and support to train reporters to more effectively cover the election.

The greatest impact of Mission support resulted from civil society oversight of the electoral process, particularly the brave work of many election monitors who at times risked their own safety to report on election anomalies during the May 14, 2007 legislative elections. \$950,000 in DCHA/DG EPP funds contributed significantly to these results. USG's program also made headway in assisting reform-minded staff within the COMELEC receive better guidance and training. However, problems with the top leadership at COMELEC inhibited more sweeping electoral reforms which are sorely needed. Leadership at COMELEC is set to change in FY 2008 with the anticipated filling of four out of seven commissionerships. USG is funding a civil society initiative for a more transparent and informed selection process for new commissioners.

Targets for voter education fell short because of a combination of setbacks associated with the working environment -- conflict affected areas of the ARMM -- and because the targets, in hindsight, were unrealistic.

Element Indicator Narrative \ 2 Governing Justly & Democratically \ 2.3 Political Competition and Consensus-Building \ 2.3.2 Elections and Political Processes

The USG's work in support of improved elections and political processes met or exceeded targets in all cases except in voter education. Targets for this area fell short because of a combination of setbacks

associated with the working environment -- conflict affected areas of the ARMM -- and because the targets, in hindsight, were unrealistic. Outbreaks of fighting during the year in the provinces of Maguindanao, Sulu and Basilan rendered it impossible to reach certain localities the USG and its implementing partner had planned to reach and depressed voter education turnout in others. With this being the major initiative in voter education in the ARMM, target setting did not adequately account for security and other logistical problems which hampered assistance efforts. On the other hand, the USG dramatically exceeded its targets for training and fielding election monitors, thanks to additional funds received mid-year from DCHA/DG to cover the May 2007 legislative and local elections. The USG met targets in other areas, notably by informing the content of a new law to automate future elections and by strengthening a number of election administration procedures, including the set up of new means for the Commission on Elections to train its staff.

Program Area Performance \ 3 Investing in People \ 3.1 Health

USG assistance is focused on improving local government services for the poor and the marginalized, while increasing the contribution of the private sector to serve those who can afford to pay. Major program areas are: HIV/AIDS; tuberculosis; maternal and child health; family planning and reproductive health; and water supply and sanitation.

Key achievements include steady improvement in national child health indicators, especially in the Autonomous Region in Muslim Mindanao (ARMM); sustained level of family planning (FP) use despite phase down of donated contraceptives; increased access to potable water supply and sanitation facilities; and a new five-year bilateral agreement with the Philippine Government.

Under-five (U5) mortality rate was reduced by 33% from 48 per thousand in 1998 to 32 in 2006. During the same period, U5 mortality in the ARMM dropped by 53% and fertility declined by 33%. Total fertility in the ARMM (3.1) is now lower than the national average of 3.2. National contraceptive prevalence rate remains at 36% while private sector share in the provision of FP increased from 26% to 41% in the past five years. This progress was supported by USG achievements across the sector as follows:

- Deliveries assisted by skilled attendants and treatment of cases of child pneumonia and diarrhea greatly exceeded targets.
- In TB, case notification rate (CNR) increased from 71 to 77 per 100,000 population supported by the appropriate training of service providers and establishment of a national policy that set up a quality assurance system for TB microscopy centers.
- For HIV-AIDS, over 31,000 individuals in 11 large urban high risk areas were reached through various behavior change and prevention interventions.
- In FP, targets in number of counseling visits, information dissemination and capacity building were exceeded. Workplace FP programs and interventions to support private sector midwives were accelerated. Low-priced contraceptives were made available in the market and over 8,000 public and private health providers were trained.
- Improved water supply and sanitation initiatives, which directly support the Philippine government's efforts, are currently benefiting over 500,000 people.

Maternal mortality continues to be a concern especially given the challenge of getting women to deliver in health facilities. Likewise, management and coordination of technical assistance in a decentralized health system continues to be a challenge.

Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.1 HIV/AIDS

HIV/AIDS prevalence in the Philippines continues to be low. However, there is potential for the epidemic to grow especially among the Most-at-Risk Populations (MARPs) and further into the general population. USG assistance aims to improve the capacity of local government units to respond to HIV/AIDS challenges.

Activities in FY 07 focused on technical assistance to the Department of Health (DOH) and local government units (LGUs) in developing investment plans to improve service delivery, governance, financing, and regulation in six targeted HIV risk zones covering eleven large urban centers. USG assistance enabled a DOH policy review, strengthening the Philippine National AIDS Council and the HIV/AIDS sentinel surveillance system. Technical assistance also augmented LGU capacity to track and monitor the epidemic through an improved surveillance system.

Technical assistance was provided in building partnerships between LGUs and non-governmental organizations in the cities of Davao, Zamboanga, Pasay and Quezon. In these cities, USG assistance supported three fora involving 255 local participants which resulted in better coordinated advocacy efforts for HIV/AIDS prevention.

Through community outreach in eleven cities, over 31,000 individuals were reached with messages promoting HIV/AIDS prevention through peer education, exceeding the FY07 target of 1,500. Mapping and data gathering events for surveillance activities gave outreach opportunities to engage with communities for such messages and health education – a notable best practice.

Interestingly, the above target exceeded expectations despite some slippage in training targets. Training to promote community outreach was 67% of target because of delays in implementation due to local elections in May 2007. A catch-up training plan has been implemented to stay on track in FY08.

Community outreach activities reached men slightly more than women in a ratio of 1 to 0.94 – belying the often told tale of predominant female participation in health activities. Project reviews note that clients of services for sexually transmitted infections are mostly women. Initiatives are being piloted to attract more men to these facilities.

Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.2 Tuberculosis

The USG works closely with the Department of Health (DOH) to improve the policy and financing environment of the National TB Program. In doing so, technical assistance is directed towards improving systems capacity for quality Directly Observed Treatment Short Course (DOTS) implementation through public and private DOTS facilities,

One of the major achievements last year was an increase in the case notification rate (CNR) from 71 to 77 per 100,000 population which directly measures the capacity to detect cases of infectious TB. USG assistance supported DOTS training for 1,535 providers to deliver quality DOTS services.

USG assistance led to establishing a national policy to set up a quality assurance system for TB microscopy centers. In addition, support to training on microscopy to local government unit (LGU) staff led to an improved TB diagnostic capability and increase in CNR.

USG assistance focused on enhancing the DOH TB systems and policy and financing arrangements to ensure long term sustainability of TB clinics. As a result of USG efforts, two major cities in Mindanao, Zamboanga City and Valencia City, allocated multi-year funding for advocacy, drug supply and outreach activities of community health workers to refer patients to health centers. TB program activities was incorporated into provincial investment plans which will further enhance policies, increase budgets and expand service delivery.

USG funds supported the redesign of the DOH supply chain for TB commodities such as drugs and reagents. This new system will lead to a more efficient, cost-effective supply chain of TB commodities.

National and local governments demonstrated strong commitment to the TB program and provided training support, technical leadership and monitoring and supervision at the municipal level. Despite this, there are gaps in performance from one locality to the next. Due to local elections held in May 2007, the TB program experienced delays in implementation. Continued armed conflict, physical and cultural barriers remain as obstacles in the Autonomous Region of Muslim Mindanao constraining the delivery of services in remote areas.

Efforts scaling up public-private initiatives and the expansion of TB services to non-DOH entities will take place in 2008. The USG is actively engaged in on-going efforts to redesign the accreditation and reimbursement process of the national health insurance program.

Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.6 Maternal and Child Health

The USG's assistance programs in Maternal and Child Health (MCH), by and large, achieved the desired results set forth for FY 07. The number of deliveries conducted by skilled attendants in USG-assisted sites (over 328,000) exceeded the target for the year. Performance on major child health indicators is high: DPT3 immunization coverage was reported at 95%, Vitamin A supplementation at 96%, appropriate treatment of child pneumonia at 103% and child diarrhea management at 123%. The increase in diarrhea case management shows the ability to respond during a season of increase in outbreaks.

FY07 resources focused on building the capacity of national, regional and provincial partners in 29 provinces and 588 municipalities and cities to better address the needs of the poor in the public sector and enhance access to services in the private sector. These partners were empowered to create health investment plans to improve the quality of service delivery, governance, financing and regulation of local health programs including maternal and child health. Some 2,167 people in the public and private sector including non-government organizations underwent training in child health and nutrition as well as maternal and newborn health. Service delivery implementation reviews informed investment planning and helped train 4,183 partners on the strategic use of program information.

In the past year, closer collaboration was established between the USG, the Department of Health (DOH) and Local Government Units particularly in the area of MCH and family planning (FP) integration. Two quality assurance tools to assist service providers in meeting performance standards and ensuring client satisfaction were launched. The Service Delivery Excellence in Health, a tool which integrates quality service delivery standards into existing public service excellence program was piloted in 10 municipalities. The Family Health Book, an initiative which provides access to poor clients to an integrated package of FP, maternal, neonatal, and child health services supported by stakeholder financing is being initiated in

Mindanao. Through existing partnerships, maternal and child health services were integrated into the technical assistance package for workplace health programs in the private sector. In addition, technical support was given to the DOH to develop a sector-wide strategy for integrating MCH, nutrition and FP services.

Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.7 Family Planning and Reproductive Health

In the Philippines, unmet need for family planning (FP) and reproductive health (RH) services is high. FY07 resources were used to strengthen health systems in the public sector; increase private sector supply of services and products; mobilize in-country financing sources; and improve the policy environment for FP/RH.

USG assistance greatly exceeded its target for couple years protection and the number of counseling visits. A major contributing factor was achievement in the related targets for training, information dissemination and monitoring.

The target on the amount of in-country resources leveraged for FP/RH was exceeded by 26%. The USG forged strategic partnerships with local government units, national government agencies and the private sector working closely with the Department of Health (DOH), regional health offices, 29 provinces, 588 municipal and city local government units (LGUs) to strengthen local development plans and budgets. In addition, technical assistance was also channeled to diversifying and expanding financing for key health services, improving human resource management and service provider training systems.

Program activities were accelerated with business associations, and non-government organizations in implementing workplace family health programs in 473 companies, enterprises and cooperatives, covering about 422,000 employees. Technical and training support resulted in -accreditation of 192 private midwives' birthing homes. Low-priced contraceptives were made available to the market, through partnership with three pharmaceutical firms. During the year, training on strategic information management was provided for 385 DOH-ARMM staff and local partners, 2,368 LGU staff, 1,606 company employees, and 39 private practicing midwives. Also, clinical training on FP and maternal and child health (MCH) services for 570 LGU staff, 117 private practicing midwives, 2,115 company employees, and 17 medical representatives were supported. Through workplace programs, messages on FP and MCH reached about 1.8 million people..

Because of the difficulty in data collection and data quality validation some indicators will not be continued next year as described in the indicator narratives.

Program Element Performance \ 3 Investing in People \ 3.1 Health \ 3.1.8 Water Supply and Sanitation

A potential model of donor collaboration, USG assistance contributed to impressive gains in access to improved sanitation facilities and drinking water supply for 125,800 and 379,760 Filipinos, respectively. Two projects were financed earlier than the expected establishment of a water revolving fund, under the US-Japan Clean Water for People Initiative, and targets had not been set in FY 2007. However, water sector reform efforts under this activity, coupled with the active promotion of a USG Development Credit Authority (DCA) guarantee with the Local Government Unit Guarantee Corporation (LGUGC) led to

growing interest from private banks to lend for water infrastructure, leading to two purely private sector-funded water projects totaling \$5 million. This is notable in that water infrastructure lending has traditionally been the exclusive domain of government and donor concessional lending.

These two new projects will benefit 283,900 people over the next six to ten years, supported by DCA partial credit guarantees through LGUGC to two private banks. The water revolving fund is anticipated to be fully operational in FY 2008, once the Japan Bank for International Cooperation releases its loan to capitalize the fund.

Aside from water financing, the USG also directly financed smaller drinking water projects installing 21 local water systems, including shallow hand pumps, village taps and household level systems together, and promoted point-of use water treatment systems during FY07. Together, these efforts improved access to drinking for 117,000 people in conflict-affected Mindanao. This result also greatly exceeded targets, thanks to resources leveraged from the British Embassy and other local donors. These direct water projects benefited women and children, improving health outcomes and saving considerable time spent fetching water.

Through a low-cost sanitation project, USG assistance helped Dumaguete City begin work on a city-wide septage treatment facility that will serve its entire population of 120,000 with improved sanitation. After receiving USG assistance to design the facility and secure financing, the local government has initiated construction and the result is included in this year.

Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.1 HIV/AIDS

The number of individuals reached through community outreach that promoted HIV/AIDS prevention through other behavior change beyond abstinence and/or being faithful exceeded FY07 target because of continued outreach activities of STI clinic staff trained with USAID technical assistance in collaboration with various non-government organizations. In addition, during HIV surveillance activities health education messages were conducted as well, expanding outreach. Due to data quality issues, however, Post proposes dropping the community outreach indicator in FY08. The target for the number of individuals trained to promote HIV/AIDS prevention through other behavior change beyond abstinence and/or being faithful was not fully met because training only started after June 2007. Because of the local elections in May 2007, full engagement of local government units was delayed until after June 2007 thus delaying planned training schedule.

The absence of FY07 target data for some indicators is due to the lack of baseline data. For these indicators, actual FY07 data will be the baseline from which FY08 targets are developed. Last two indicators on strategic information will not be continued because they do not capture funded activities well. For all indicators that will be dropped, FY08 targets changed to zero.

Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.2 Tuberculosis

The case notification rate rose from a baseline of 71 to 77% attributed to the 113% achievement of the DOTS training target. The non-DOH sector contribution to TB cases reported to the NTP was not achieved because the expansion of the Private-Public Mix DOTS activities was deferred and the engagement of non-DOH sectors was delayed due to local elections. Activity focused on enhancing the policy and financing environment with a special emphasis on improving the national health insurance system.

Due to data quality issues, Post is dropping five of the six standard indicators, retaining only the DOTS

trained indicator of the indicators here; accordingly FY08 targets changed to zero. Two standard indicators were added to reflect Post's contribution to an improved TB policy environment at the national level and enhanced quality of TB microscopy laboratories. A custom indicator was added to measure the expansion of financing at the local level through increased accreditation of TB clinics by the health insurance scheme, Philippine Health Insurance Corporation. The new configuration of four indicators more accurately reflects the inputs of the USG in TB control and represent good data quality.

Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.6 Maternal and Child Health

Some targets were low due to lack of baseline data; revised targets from baseline: # cases child diarrhea treated: 234,817; # cases child pneumonia treated: 217,775; # children > 12 months who received DPT3: 443,560; # deliveries with a skilled birth attendant: 327,894; # of people trained in maternal/newborn health: 1554. Target in child diarrhea treated was exceeded due to responses to diarrhea outbreaks. Post does not support the continued use of this indicator because of data quality control problems with DoH monitoring systems. However the indicator will be continued to fulfill PART requirements. No. people trained in both child health/nutrition and maternal/newborn health exceeded targets because these trainings built on existing FP partners in the private sector. No. people trained on SI management exceeded target as the technical assistance on investment planning and service delivery implementation review provided to provinces was considered relevant to this indicator. Vit. A coverage shortfall may be due to underreporting of children given the capsule outside the regular campaign period. Due to some data quality issues, Post proposes dropping the following: # cases child pneumonia treated; # information gathering; # monitoring plans, # people covered by financing; # people trained in SI

Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.7 Family Planning and Reproductive Health

In Couple Years of Protection and number of counseling visits for Family Planning/Reproductive Health. USG-supported programs' achievement tremendously exceeded the targets because most of the implementing mechanisms are new and the targets set were conservative. Target for Number of people trained FP/RH with USG funds was not met because training was postponed due to May 2007 elections which suspended all activities of the local government.

Number of people trained in research with USG assistance - This training was related to the conduct of the secondary analysis of Family Planning and Maternal Health surveys. The plan was to train Philippine National Statistics Office staff on analyzing research data. The said activity was not conducted in FY 2007. Since we do not normally conduct training on research, we proposed that this indicator be deleted. Number of people covered by USG-supported health financing - This is supposed to be deleted due to difficulty in collecting data.

Post will report on three of these indicators next year to better align indicators to activities: amount of in-country financial resources leveraged; number of people that have seen FP/RH message; and number of people trained in FP/RH.

Element Indicator Narrative \ 3 Investing in People \ 3.1 Health \ 3.1.8 Water Supply and Sanitation

In FY07, water targets were greatly exceeded because two projects were financed earlier than the expected establishment of a water revolving fund, under the US-Japan Clean Water for People Initiative. Targets had not been set for FY07, as the revolving fund is not yet operational. Additional information is in the OP narrative. Also, USG assistance in small-scale village-level water supply was able to leverage additional

funds from the British Embassy and other donors that resulted in an almost 800% increase in FY07 results. Water targets for FY08 have been revised upward because of the Initiative. For sanitation, USG has concluded its technical assistance to the City of Dumaguete in planning and financing of a new sanitation facility which will serve 120,000 people; construction has already begun. The revised sanitation targets for FY08 are lower than FY07 because performance will mostly be from a newly awarded project, which has understandably lower targets for its first year of implementation. Sex-disaggregation of data is not available from general population census at this time, hence only the total number of people is reported.

Program Area Performance \ 3 Investing in People \ 3.2 Education

The USG's Basic Education Program addresses disparities in education access and quality in selected disadvantaged areas of Mindanao where elementary school participation and completion rates are the lowest in the country. Projects are focused on delivering basic literacy and numeracy skills to elementary level students; improving the teaching of English, science and math; and increasing student participation and retention rates. The program also provides education and livelihood skills for out-of-school youth as discussed in 4.6.3 in the Workforce Development Narrative.

USG assistance greatly exceeded targets, reaching more than 450,000 elementary school students in FY 07. To increase access, USG constructed 66 classrooms and repaired an additional 304. In order to improve the quality of basic education, USG trained almost 2,000 administrators and Department of Education officials and more than 7,000 teachers in addition to providing almost 700,000 supplementary learning materials.

Through a notable collaboration with the Government of Australia, the number of teachers, administrators and officials trained with USG assistance far surpassed the FY07 targets. The US and Australian governments have also agreed to work towards a joint program supporting madrasah education. The Department of Education of the Autonomous Region of Muslim Mindanao has been asked to submit a proposal to survey madrasahs to determine which would like to add the standard curriculum to their syllabi thus becoming accredited, standard primary schools. Such integration into the national educational framework helps reduce the widespread sense of alienation and exclusion that fuels conflict and encourages terrorist activities.

The partnership with and commitment of the Government of the Philippines Department of Education has enhanced program performance. The DoE has placed priority on decentralizing basic education governance, increasing quality under the basic education reform agenda and support to madrasah education. US assistance has furthered local input through parent teacher associations and local business organizations, addressed quality concerns through training and curriculum support, and assisted in accrediting madrasah schools.

The USG's education program completed its first phase in FY 07 and embarked upon a revised strategy for the next five years. Drawing on this experience, phase two will concentrate on the most disadvantaged localities of the conflict.

Program Element Performance \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education

The intended result of the USG education program is to increase access to and improve the quality of education, thus mitigating the social consequences of disaffected youth. In FY 07, the program exceeded most targets, completing the first phase and began the transition to a second phase concentrating activities in

the most disadvantaged areas.

With USG assistance, more than 450,000 elementary school students were reached in FY 07. To increase access, USG constructed 66 classrooms and repaired an additional 304. In order to improve the quality of basic education, USG trained almost 2,000 administrators and more than 7,000 teachers in addition to providing almost 700,000 supplementary learning materials. These impressive training numbers are largely due to the Government of Australia collaboration, leveraging program funds and illustrating the benefits of donor coordination.

FY07 targets in building and repairing classrooms were surpassed mainly due to a faster project implementation rate to compensate for delays during the first two years. As phase two is beginning, the FY08 targets are reduced to accommodate the planned shift to refurbishment of existing spaces. The projects will center on mobilizing community involvement.

During FY07, more than 400 Parent Teacher Community Associations (PTCA) were mobilized to take a greater role in improving education at the local level. These organizations are working with local officials to improve the collection of property taxes, a designated portion of which is earmarked for education support. Projects have not yet reached the expected number of PTCA or other school governance structures targeted in FY 07 because, in line with planned phase two, USG resources are being concentrated to those areas that are in the most need. Over the next four years, 700 PTCA or other school governance structures are targeted for assistance.

USG matches funds raised by the PTCA, working in collaboration with various civic and business organizations. Both in-kind and cash contributions reached \$318,704 dollars bringing the total program leverage to about \$507,298 at the end of the project in FY07.

At Tupi NHS local donations and matching fund money was used to acquire new computers and additional equipment. Tupi NHS is now considered a model school in the Socksargen area due to its strong and innovative technology based curriculum. Computers and internet connections have similarly been provided to over 650 high schools.

Element Indicator Narrative \ 3 Investing in People \ 3.2 Education \ 3.2.1 Basic Education

USG had the opportunity to collaborate with the Government of Australia in FY 07 and trained more than 1000 school officials and administrators and almost 3000 teachers affecting over 160,000 learners in the Autonomous Region of Muslim Mindanao, thus far exceeding our estimated targets in those areas. USG also exceeded classroom construction targets due to the enthusiastic efforts of our leveraged partners. Post has not reached the expected number of Parent, Teacher, Community Associations or other school governance structures targeted in FY 07. It was decided that USG resources should be concentrated in Phase 2 to target fewer areas that are in the most need. This increased program depth is also the reason the decreasing the FY 08 target. The FY 08 target of the number of textbooks and other teaching materials distributed has been reduced as Post studies the needs of the target areas. A Request for Proposals will be advertised before the end of the fiscal year.

Program Area Performance \ 4 Economic Growth \ 4.2 Trade and Investment

The performance of the Philippine economy has shown notable improvements in the last two years, as reflected in the steady improvement in the government fiscal position, rising exports, increasing investments, and continuing appreciation of the peso against foreign currencies. Exports grew by 14.0 percent from 2005 to 2006, the fastest since 1998, while investments surpassed the 2006 target. At a broad level, there is still much to be done to sustain the economic gains. Reform efforts should focus on removing barriers to investment and competition associated with corruption, inappropriate or poorly enforced

regulations and backlogged courts.

In Trade and Investment, the USG supports Philippine government (GRP) efforts in implementing key reforms that will improve the investment climate and build trade capacity. Technical assistance focuses on priority areas such as: reforming policies, regulations, and administrative practices affecting international trade and investment; building capacity of the public and private sectors to enable them to participate effectively in the international trading systems and negotiations; and strengthening activities that support trade liberalization.

USG continued its assistance to the GRP to facilitate the country's implementation of its WTO commitments, including customs valuation, and sanitary and phytosanitary standards; improve the investment climate through assistance to facilitate business registration; reduce export documentation; market restructuring of the power sector in the country's export processing zones; more open air transport access and improved inter-island transport and port facilities; and monitoring of the government's priority infrastructure projects.

USG also supports diverse activities that help create a more investor-friendly environment in cross-cutting objectives such as reduced corruption, good governance and conflict mitigation. The USG-supported Mindanao Business Council now has members drawn from the private sector sitting on the Bids and Awards Committees for public sector procurement processes. In Mindanao, other projects have supported transparency and good governance at the local level, helping establish a solid basis for economic growth and poverty reduction.

Program Element Performance \ 4 Economic Growth \ 4.2 Trade and Investment \ 4.2.1 Trade and Investment Enabling Environment

USG supported several activities aimed at improving trade facilitation. These included the strengthening of the post-entry audit system and rules on voluntary disclosure at the Bureau of Customs (BOC). Assistance was also extended to help set up the Philippine National Single Window as well as to support the country's accession to the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. In the area of standards, USG provided technical assistance to the Department of Agriculture to help formulate a consistent and adequate legal and administrative policy framework for sanitary and phytosanitary standards (SPS). It also supported the Department of Trade and Industry's (DTI) facility that assists the business sector in complying with technical and other product regulations and standards of the country and other WTO member countries.

Measures to improve the investment climate were also pursued such as the setting up of the Philippine Business Registry system to facilitate seamless transaction environment for business registration and the passage of an Anti-Red Tape law. An Executive Order was also issued to improve the competitiveness of the country's export sector by eliminating the fees, charges, imposed on export clearances, inspections, permits, certificates and other documentation requirements. Assistance was also extended to help improve the Philippines international competitiveness. These included market restructuring of the power sector in the country's export processing zones; more open air transport access and improved inter-island transport and port facilities. The program supported the Infrastructure Task Force to monitor priority projects of the government.

USG also provided assistance to several training events. A global trade e-learning program, involving

approximately 330 participants from government, private sector, NGO, and the academe was undertaken to enable better understanding and more effective participation in international trade discussions and negotiations. It also supported workshops to promote more services exporters among Philippine SMEs. Assistance was also extended to the Intellectual Property Office to undertake training for national and regional officers of the DTI and the Department of Science and Technology on asset innovation and commercialization.

Program Area Performance \ 4 Economic Growth \ 4.4 Infrastructure

USG continued to support the Philippine Government in the development of needed energy, communications, and transport infrastructure to promote economic growth and strengthen the foundations of peace in Mindanao. With some \$3.2 million leveraged from Mirant Philippines and the Philippine Department of Energy, nearly 30,000 people were provided with electricity through the installation of small solar home panels and micro-hydro systems in remote and conflict affected areas of Mindanao. With about \$510,000 leveraged from USG partners including Microsoft, IBM, Cisco Systems and Intel and other donors, particularly AusAid and the British Embassy, more than 200,000 people were able to gain access to the internet. Post supported efforts by Philippine telecommunications providers to dramatically expand cell phone coverage in the Sulu archipelago, paving the way for approximately \$14.6 million in investments to fund the installation of relay stations and cell sites, and providing the first microwave backbone for the archipelago. With nearly \$6 million in counterpart funding from local governments, the USG implemented 147 community-based “Barangay Infrastructure Projects” and 27 transformational “Regional Impact Projects” in the conflict affected areas in Mindanao. These projects translate to about 132 kilometers of road, bridge, foot-bridge, and port facilities. These transport infrastructure projects, which benefit an estimated 1.4 million people succeeded in improving transport services, reducing transport costs and accelerating economic expansion in conflict-affected areas.

The USG provided technical assistance to support power sector reforms and use of clean, indigenous fuels for transportation. It helped strengthen the institutional capacity of the Energy Regulatory Commission (ERC) by enhancing its regulatory process, thereby improving the operations of power distribution and generation companies and promoting better services for consumers. It assisted in diversifying fuel sources and promoting increased use of clean energy through the passage of the Biofuels Act of 2006, a major milestone in the efforts to expand the use of cleaner fuels in the Philippines. Technical support was also provided in the development of the law’s implementing rules and regulations and in the conduct of trainings to support its implementation. With the numerous trainings conducted to support power reform and promote biofuels, the training target was exceeded by more than 800%.

Program Element Performance \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.1 Modern Energy Services

USG activities in this Program Element focused on delivery of modern energy services through electrification of remote villages in Mindanao, promotion of power sector reforms, and increased use of clean and indigenous fuels for transportation. In the area of rural electrification, 29,880 people gained access to electricity through the installation of solar and micro-hydro systems in remote (i.e., off-grid) areas of Mindanao, exceeding the target by 10%. This performance is due to the contribution of the USG’s major private sector partner for this activity, the U.S. firm Mirant, as well as additional contributions from the Philippine Department of Energy, enabling the project to procure and install solar systems well in advance of the set targets. In total, the USG leveraged \$3.2 million for rural electrification this year, exceeding

targets by 27%. In support of the Philippine power sector reforms, USG assistance strengthened the critical independent regulator, the Energy Regulatory Commission (ERC) by amending provisions of the implementing rules and regulations (IRRs) of the Electric Power Industry Reform Act (EPIRA). The changes improved the operations of electricity distribution utilities and generation companies by giving them timely decisions from the ERC, thereby promoting better services for consumers. In the area of alternative fuels, the USG met with success in diversifying fuel sources with the early 2007 passage of the Biofuels Act, a major milestone in USG support to Philippine efforts to expand use of cleaner fuels for transport. Later in the year, technical assistance supported development of Biofuel Act IRRs and the Philippine National Biofuels Program, the framework for development and use of biofuels, including both biodiesel and ethanol. USG assistance focused on extensive information, education, communication campaigns, techno-economic studies and support for public consultation meetings, workshops and trainings. Trainings for the EPIRA and the Biofuels Law and respective IRRs led the projects to again exceed their training target by more than 800% for FY07. As a result, biofuels investments, availability, usage are all on the rapid increase.

Program Element Performance \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.2 Communications Services

USG assistance continued to support the Philippine Government (GRP) in the development of needed infrastructure to promote economic growth and strengthen the foundations of peace in Mindanao. In partnership with the private sector, parents and teachers organizations, and the Autonomous Region in Muslim Mindanao Department of Education, the USG introduced computer and internet education in 250 schools, including 9 Islamic religious schools in conflict affected areas in Mindanao. 1,534 computers, related peripherals, high-speed internet connection, and needed teacher training on software utilization and computer and network maintenance were provided to these schools. Additional computers were provided to 24 schools as part of a matching grant program. An assessment of the assistance revealed improvements in school attendance and enrollment, increasing internet use by teachers for producing learning materials, and opening access of these facilities to the community thereby allowing more people to gain access to the internet. As a result of FY07 assistance, more than 200,000 people had access to internet service. About \$510,000 was also leveraged from implementing partners including Microsoft, IBM, Cisco Systems and Intel and other donors, particularly AusAid and the British Embassy.

Working with Philippine telecommunications providers Smart and Globe, and with the GRP and the Armed Forces of the Philippines, the USG helped dramatically expand cell phone coverage throughout the Sulu Archipelago. These providers invested approximately \$14.6 million to improve services in the area. In FY07, Smart installed two new relay stations and eight additional cell sites, thus completing construction of its Sulu Archipelago microwave backbone. Globe completed the construction of four new relay stations in Basilan and Tawi-tawi and added a cell site in Tawi-tawi, thereby completing approximately 75% of its backbone in the Sulu Archipelago. These are the first such backbones in the region, making ICT services available in almost all areas of all municipalities.

To support the private and public sector efforts to expand business process outsourcing services and increase the overall quality of ICT infrastructure, the USG supported the development of an “ICT in Mindanao Master Plan.” The Mindanao ICT Network that will assume responsibility, over the next 5 years, for implementing the master plan was organized in support of this initiative.

Program Element Performance \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.3 Transport Services

The USG continued to support the Philippine government in the development of needed transport infrastructure to promote economic growth and strengthen the foundations of peace in Mindanao. In partnership with local governments, the USG constructed 147 community-based infrastructure projects and 27 regional impact projects in the conflict affected areas in Mindanao during the fiscal year. These transport infrastructure projects, which include the repair and construction of road, bridge, foot-bridge, and port facilities, succeeded in improving transport services, reducing transport costs, and accelerating economic expansion in conflict-affected areas. For instance, shipping costs for the Zamboanga-Lamitan (in Basilan, an island province in the Sulu archipelago) route have been reduced by approximately 32% due to the roll-on/roll-off port facility constructed by USG. The USG-constructed Parang-Barira road linking the two municipalities that used to be part of a former Moro Islamic Liberation Front camp to the national road system significantly contributed to increased trade and transport services in the area. Residents who previously left their farms and dwellings because of the conflict have returned, bringing their farms into productive use.

With FY 07 assistance, about 132 kilometers of transport infrastructure were constructed or repaired. Nearly \$6 million, mostly from local governments who are required to provide at least 25% counterpart funding, were leveraged for USG's infrastructure projects. An estimated 1.4 million people stand to benefit from these projects.

Of the total transport infrastructure projects constructed with USG assistance, 12% are located in the Sulu archipelago, the scene of the most fighting between Muslim terrorist groups and the Armed Forces of the Philippines. Approximately 10% of the transport infrastructure were constructed in Maguindanao, the center of the Moro Islamic Liberation Front insurgency, and where peace negotiations are currently ongoing. Another 12% of transport infrastructure were constructed in the neighboring and similarly conflict-affected provinces of Lanao del Norte and Lanao del Sur.

Element Indicator Narrative \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.1 Modern Energy Services

USG energy activities together exceeded all targets for FY07, for several reasons. Early release of funds from the USG's major private partner for rural electrification, Mirant, enabled the USG to install renewable energy systems in households well above the annual target for the year. These ahead of schedule installations also consequently increased the number of participants in training. In addition, Mirant also released an amount exceeding their original commitment by 30%. Passage of the Biofuels Act contributed to the surpassing of targets in training, as the new Act's implementing rules and regulation development and implementation necessitated discussion among the general public, stakeholders and implementing partners.

Element Indicator Narrative \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.2 Communications Services

FY07 accomplishments exceeded all targets. Cost savings were reallocated to, among others, enhance the GEM-2 Program's Computer Literacy and Internet Connection (CLIC) activity by providing additional computers to 300 schools that were earlier connected to the internet under the Program. As a result, internet access of students, teachers, and other beneficiaries increased. Additional private dollars were also leveraged to implement the expansion. Procurement for the GEM-3 Program, which will implement FY08 activities, has been delayed. Thus, the FY08 targets were reduced.

Element Indicator Narrative \ 4 Economic Growth \ 4.4 Infrastructure \ 4.4.3 Transport Services

FY07 accomplishments exceeded all targets. Cost savings were reallocated to, among others, enhance GEM-2 Program's infrastructure development activities. Additional funding was provided to extend the length of road and port complex projects being implemented. As GEM-2 infrastructure projects require at least 25% counterpart contribution from local government and private sector beneficiaries, additional dollars were leveraged as a result of the expansion. Moreover, the GEM-2 Program was extended to December 31, 2007, thereby allowing the Program to expand and complete these projects. Procurement for the GEM-3 Program, which will implement FY08 activities, has been delayed. Thus, the FY08 targets were reduced.

Program Area Performance \ 4 Economic Growth \ 4.5 Agriculture

USG supported initiatives to ensure the unhampered use of agricultural biotechnology applications and the continued implementation of the Philippine Department of Agriculture's (DA) existing science-based regulatory system. As of FY07, the DA has approved 40 biotech crops for direct use and 4 crops for commercial planting, making the Philippines ranked 6th in terms of approvals worldwide. About 120,000 hectares were planted to biotech corn during the 1st three quarters of FY 07 up from 10,000 hectares in 2003 when biotech corn was approved for commercial planting. Post worked with the University of the Philippines at Los Banos' (UPLB) Institute of Plant Breeding in the development and commercialization of three new biotech crops, namely, delayed-ripening papaya, ringspot virus-resistant papaya, and fruit and stem borer-resistant eggplant. In FY 07, greenhouse experiments were completed and confined field trials, which will allow transgenic event and variety selection were initiated. These trials are required in the regulatory process for the commercial use of new biotech crops. Post also assisted in the development of transparent and science-based protocols and guidelines, complementing existing regulatory system. Short-term training was provided to improve DA capacity to implement these protocols, eliciting the attendance of 135 participants.

The USG continued to implement activities to improve competitiveness of Mindanao agricultural producers. Post assisted 5 Mindanao-based business support organizations (BSOs), representing small and medium enterprises from the fruit, vegetables, fisheries, and seaweed industries. It promoted the introduction and/or expansion of production and marketing of high value products not widely or traditionally grown in Mindanao. Co-funding assistance for the participation of BSO members to international trade fairs generated sales. As a result, intra-regional exports of banana chips, fresh mangoes, carrageenan, and processed fish and other fruits and vegetables increased by 10% in FY07. About 600 former Moro National Liberation Front combatants were trained on new production and marketing technologies for high value commodities. Nearly 300 vulnerable households were assisted to become productive and profitable. By assisting former combatants to make a reasonable living for themselves and their families on a continuing basis, USG hopes that they would be less susceptible to again take arms against the Philippine government.

Program Element Performance \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.1 Agricultural Enabling Environment

USG supported initiatives to ensure the unhampered use of agricultural biotechnology applications and the continued implementation of the Philippine Department of Agriculture's (DA) existing science-based regulatory system. Post worked with the University of the Philippines at Los Banos' (UPLB) Institute of Plant Breeding in the development of three new biotech crops, namely, delayed-ripening papaya, papaya ringspot virus-resistant papaya, and fruit and stem borer-resistant eggplant. In FY 07, contained use or

greenhouse experiments to evaluate horticultural traits, select appropriate lines and test bio-efficacy have been completed. Confined field trials, which will allow transgenic event selection and variety performance evaluation, were also initiated. These trials are required in the regulatory process for the commercialization of new biotech crops.

USG assisted the DA develop protocols and guidelines for the commercial propagation and direct use of genetically modified (GM) crops. These protocols complement the existing biotech regulatory system, ensuring that it is transparent and science-based. The existing regulatory system approved the direct use as food, feed, and processing of 40 biotech crops and the commercial propagation of 4 biotech crops, making the Philippines ranked 6th in terms of approvals worldwide. About 120,000 hectares were planted to biotech corn during the first three quarters of FY 07 up from 10,000 hectares in 2003 when biotech corn was approved for commercial planting.

USG is also working with the DA in developing a policy on adventitious presence that will serve as guidance on safety assessment of biotech food and on appropriate protocols for the development of plant-made pharmaceuticals. Short-term training was provided to DA staff on insect resistance management, second-generation Bt insect protected and round-up ready corn, on the biosafety regulation. A total of 135 participants attended these short-term training activities. An information, education, and communication campaign was mounted to ensure positive perception of biotechnology, in general and pave the way for public acceptance of new biotech crops and applications. Through USG assistance, UPLB Institute of Plant Breeding is able to gain experience in moving biotech crops that they developed in the commercialization process.

Program Element Performance \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.2 Agricultural Sector Productivity

With the improvement of the peace and order situation in Mindanao, the USG continued to implement activities expanding job-creating private investment in Mindanao. Sustained support to improve the competitiveness of Mindanao agricultural producers was provided to 5 Mindanao-based business support organizations (BSOs), representing small and medium enterprises from the fruit, vegetables, fisheries, and seaweed industries. The USG promoted the introduction and/or expansion of production and marketing of high value products and commodities not widely or traditionally grown in Mindanao. For instance, with support provided to the Northern Mindanao Vegetable Producers Association, domestic out-shipments of semi-temperate vegetables using the cold chain increased by 30% in FY07. Co-funding assistance for the participation of BSO members to international trade fairs generated sales -- an estimated \$2.6 million in processed food exports during the Beijing Food Show and nearly \$1 million during the Philippines International Food Exhibit. Intra-regional exports, largely to China, of banana chips, fresh mangoes, carrageenan, and processed fish and other fruits and vegetables increased by 10% during the same period.

About 600 former Moro National Liberation Front combatants were trained on new production and marketing technologies for high value commodities in FY07. Nearly 300 households were assisted to become productive and profitable. To exemplify support, the USG brokered marketing agreements between former MNLF combatants and processors of ready-mixed canned tuna, banana chips, and seaweeds, assuring them of ready markets for their produce. By assisting former combatants to make a reasonable living for themselves and their families on a continuing basis, the USG hopes that they would be less susceptible to again take arms against the Philippine government.

Element Indicator Narrative \ 4 Economic Growth \ 4.5 Agriculture \ 4.5.2 Agricultural Sector Productivity

Percentage increase in value of intra-regional exports of targeted agricultural commodities (fish, fruits and vegetables) under the GEM-2 Program was below target. The contraction may be attributed to trade-related concerns that negatively affected exports of banana chips, fresh mangoes, and seaweeds and carrageenan. Procurement for the GEM-3 Program, which will implement FY08 activities has been delayed. Thus, the FY08 targets regarding export growth and vulnerable households benefiting from USG assistance were reduced.

Program Area Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness

To improve private sector competitiveness, the USG has undertaken the two complementary programs of organizing business support organizations and providing out-of-school youth training.

USG continued to implement activities geared towards expanding job creating private investment in Mindanao. The USG supported a network of 15 business support organizations, representing all key business sectors in the conflict affected areas in Mindanao, which could provide needed services to their member firms and to consumers. In FY07, the Muslim Business Forum and the Vegetable Industry Council of Southern Mindanao joined 13 other business support organizations which developed into self-sustaining and effective groups. About 84 new memberships were generated as a result of USG assistance.

In FY 07 USG trained over 10,000 teens and young adults who have dropped out of school in basic literacy and numeracy, livelihood skills and/or technical trades. USG provides instructional training and equipment to better equip the learners in livelihood and trade skills so that they may engage in productive work in the future. USG supports various trade courses including baking/cooking, dressmaking, carpentry, welding and fish processing.

Program Element Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.2 Private Sector Productivity

With the improvement of the peace and order situation in Mindanao, the USG continued to implement activities geared towards expanding job creating private investment in Mindanao. The USG supported a network of 15 business support organizations (BSO), representing all key business sectors in the conflict affected areas in Mindanao, which could provide needed services to their member firms and to consumers. Institutional development training, covering such strategic areas as membership development, operations, policy advocacy, investment promotion, financial management and sustainability, institutional networking, and accessing funds were provided. Of these BSOs, 13 have become operationally capable and at least 50% self-funded to date. In FY07, the Muslim Business Forum and the Vegetable Industry Council of Southern Mindanao joined the other 13 organizations which developed into self-sustaining and effective groups. About 84 new memberships were generated as a result of USG assistance.

Co-funding support was provided to key BSOs in hosting conferences and business meetings on key policy issues affecting Mindanao, conducting trainings, and sponsoring other events on peace and development initiatives. For instance, the USG together with the Muslim Business Forum co-funded a conference to advocate for the creation of a Halal foods certification system for General Santos City and Sarangani, two areas affected by conflict, that generated support from local governments. The USG partnered with the

Sulu Chamber of Commerce and Industry, a BSO based in the Sulu archipelago, in organizing a forum on improving shipping services at the Jolo Port. With the Metro Kutawato Chamber, the USG co-funded a training/orientation on the new business permit processing and tax collection reforms being implemented by the city government of Cotabato.

Program Element Performance \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.3 Workforce Development

Related to the Basic Education Program, the USG workforce development program will build basic education skills for life for Out-of-School children and youth (OSCY) by supporting opportunities and systemic approaches to improving the relevance of education and training for OSCY.

In FY 07, the USG supported projects developed new instructional programs related to the livelihood and employment needs of out-of-school children and youth. Over 10,000 out-of-school youths completed training. This large increase over the target reflects the inclusion of projects previously under Basic Education for better consistency with the Foreign Assistance framework structure.

Of the more than 1,200 out-of-school youth who participated in industry immersion and livelihoods trainings, 50% have either found employment or opened their own business. USG assistance also created a ten-part video series on livelihood and business development skills to improve workforce quality and support the reintegration of out-of-school youth.

82% of 2,500 out-of-school children and youth who took the Philippine Education Placement Test were certified for re-entry into the formal school system at levels higher than when they dropped out speaking to the high quality of the projects provided with USG assistance.

During FY07, lead implementing partners conducted a strategic review of these pilot interventions to address issues of cost, scalability and sustainability for a new revised strategy. The USG program has developed new livelihood skills training options that enhance and improve existing household-based activities through targeted literacy, numeracy and entrepreneurship offerings. Functional literacy and numeracy provide a key complementary area of learning to technical training.

The adjustments will make the program more flexible, lowering entry barriers to extend the reach and coverage of out-of-school youth programming. These new programming streams draw on existing Alternative Learning Modules, supplementary curricular units and already implemented life skills components to offer low-intensity training options for youth engaged in household-based agricultural, fishing and small-scale trading activities.

Element Indicator Narrative \ 4 Economic Growth \ 4.6 Private Sector Competitiveness \ 4.6.3 Workforce Development

FY07 greatly exceeds target because planned activities were initially placed under Education and then later, after further definition, placed under workforce development. Gender disaggregated data is pending from implementing partners.

Element Indicator Narrative \ 4 Economic Growth \ 4.7 Economic Opportunity \ 4.7.1 Inclusive Financial Markets

Although now resolved, certain issues about CUES-3 Project design has prevented a speedy project implementation in the early stages of the Project's life. This resulted in a marginally lower number of institutions supported by USG technical assistance versus target in FY2007. With these issues now resolved, it is expected that target number of supported microfinance institutions will be met and even exceeded. USAID/Philippines microfinance programs do not target men or women differently. Targets provided in FY2008 reflect this position with a 50-50 targeting for men and women. With actual gender numbers are not readily available, gender numbers indicated in the actuals column are estimated by multiplying percentage of women observed in MABS Evaluation with the total number of clients for the fiscal year. Likewise CUES-3 gender actuals are estimated by multiplying a sampling percentage observed in sampling data with total number of clients for the fiscal year.

Program Area Performance \ 4 Economic Growth \ 4.8 Environment

Activities under the Environment Program Area focused on promoting sound management of the Philippines' natural resources and urban environment, both critical underpinnings of sustainable economic growth and human health. In the area of natural resources and biodiversity, USG efforts met with continued progress in addressing degradation of the Philippines valuable terrestrial and marine biodiversity assets. FY07 targets were either met and or significantly exceeded, with an overall total of 401,889 ha (187% of the FY07 target) of forestlands and municipal waters under improved management. This success is attributed to the effectiveness of co-management strategies and improved local-central government working relationships at USG target sites, including 20 resource co-management agreements signed in FY07. Partner local government units (LGUs) took on more proactive roles in their decentralized environment mandates through informed and accountable actions, enforceable rules, and resource conflict resolutions made possible through USG assistance. In the area of promoting a clean and productive environment, USG FY07 efforts increased the capacity of over 7,000 Filipinos to take steps towards improved compliance with critical environmental legislation on clean air, clean water and solid waste management. The resultant strengthened increased capacity helped 40 LGUs to divert at least 25% of their wastes to recycling and composting. In popular coastal tourism areas, hotels and resorts worked successfully with LGUs to reduce the pollution of coastal ecosystems through wastewater treatment and reducing wastes. In congested urban areas, the USG supported efforts to enforce the Clean Air Act, helping 17 cities to put in place air pollution control ordinances, obtain emissions monitoring equipment, and thereby get polluting vehicles off city streets. Benefits from these USG assisted efforts prompted government to direct all city mayors to pass similar ordinances. Effective environmental governance in the Philippines hinges on strong law enforcement, the availability of incentives, and on realization by stakeholders on the importance of a well-managed environment for health, food security, and livelihoods. USG assistance to interagency environmental law enforcement bodies helped realize a number of high profile interdictions of environmental crimes involving protected marine species and illegally logged timber.

Program Element Performance \ 4 Economic Growth \ 4.8 Environment \ 4.8.1 Natural Resources and Biodiversity

This Program Element focuses on improving national and local capacities to better manage key biodiversity and natural resources that impact on livelihoods and human health. In FY07, improved management of biological significant areas covered 169,667 hectares and 401,889 hectares of forestlands and municipal marine waters. The USG trained 3,182 people (including 969 women) to raise environmental awareness and improve resource management skills. The 123 ordinances passed in FY07 legitimized conservation areas

and encouraged community support in 130 local government units (LGUs). Benefits accruing to LGUs included tenured property rights, deterred illegal logging and destructive fishing practices, increased citizen involvement, and improved local government capabilities to deliver environmental services. LGUs improved wastewater management in slaughterhouses and markets, minimizing discharge of wastes flowing to critical habitat for freshwater species. Hotels in coastal areas implemented measures to reduce domestic wastewater negatively impacting marine biodiversity. Muslim Mindanao LGUs adopted cultural specific governance by using a guidebook on environmental protection based on Islamic principles and the island province of Tawi-Tawi adopted a Fatwa for Marine Environmental Protection and Conservation. Surveyed LGUs showed improvements in an environmental governance index over the FY06 baseline, suggesting improvements in functionality, transparency, accountability and level of participation in environmental programs. LGU financing for environmental programs increased from \$2.8 million in FY06 to \$3.4 in FY07. Numerous partnerships came together under 20 co-management agreements between communities, LGUs and the Environment Department, which together placed 92,756 hectares of forestlands more effective and collective management. Interagency environmental law enforcement bodies remain intact and operational despite recent changes in the leadership, and USG made further progress in galvanizing the once-fragmented government environmental law enforcement units into a harmonized and coordinated interagency support network. As part of these efforts, the USG helped to standardize enforcement training modules and operations protocols in wildlife, forestry, fisheries, and pollution, resulting in interdictions of a number of environmental crimes across the country, and a concomitant reduction in threats to the country's valuable biodiversity.

Program Element Performance \ 4 Economic Growth \ 4.8 Environment \ 4.8.2 Clean Productive Environment

In FY07, USG assistance increased the capacity of over 7,000 government staff, community leaders and entrepreneurs to take steps towards greater compliance to critical environmental legislation on clean air, clean water and solid waste management. This increased capacity has resulted in 15 local government units (LGUs) diverting at least 25% of waste generated to recycling and composting facilities, wastes that would otherwise end polluting landfills, rivers and in coastal areas. Together, these LGUs secured \$2.3 million from their annual budgets to support fund waste management activities. Also, 39 hotels and resorts in popular coastal tourism destinations in Panglao, Palawan, Puerto Galera and Batangas are working with LGUs to reduce the pollution of nearby coastal ecosystems by establishing wastewater treatment facilities and by halving waste generation. To sustain some of these efforts, three LGUs have instituted environmental user fees from tourists to fund environmental protection and conservation activities. The USG also supported the pilot testing of wastewater treatment facilities in four LGU-owned enterprises such as public markets and slaughterhouses to reduce the organic load of nearby water bodies and prevent groundwater contamination. USG assistance to the Department of Transportation and Communication resulted in the development of a plan and set of guidelines to expend over \$40 million from a government the Special Vehicle Pollution Control Fund to fund clean air initiatives. Also, 1,808 public utility vehicle drivers and operators are now practicing proper engine preventive maintenance to reduce fuel consumption and vehicle emissions. The USG has also supported 17 LGUs in the highly congested cities in Metro Manila, Davao, and Cebu in enforcing the Clean Air Act by helping to develop air pollution control ordinances, and by providing vehicle emission monitoring equipment and associated training. These activities have enabled partner cities to get non-compliant polluting vehicles off city streets. USG success in this area may soon be replicated widely, as benefits from these efforts prompted the Department of the Interior and Local Government to direct all mayors to pass similar ordinances and to include clean air policies in local development plans with supporting programs to increase public awareness on the health and

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environmental impacts of air pollution.

Element Indicator Narrative \ 4 Economic Growth \ 4.8 Environment \ 4.8.1 Natural Resources and Biodiversity

Under this Program Element the USG met all indicator targets and significantly exceeded them in four. The substantial increase is primarily due to the addition of results \"from all funds\" this period from two coastal-marine projects, which were forward funded and not part of the FY07 plan. The additional hectares attributed come from marine sanctuaries established, conserved, and protection enforced in municipal waters under improved management. The FY07 227,900 hectares refer to the same marine areas monitored for fish stock increase in FY06 and FY07, which showed an increase in fish stocks of 1.53% from the FY04 baseline (the longer-term overall target is a 10% increase in fish stocks). Targets for people trained and policies/laws adopted and forest areas under improved management have been revised for FY08 due to better funding levels for FY08. The indicator \"hectares of biological significance showing improved biophysical conditions\" refers to a fixed number of marine sanctuaries with a baseline and regular fish stock monitoring. As such, the FY08 adjustment is a correction not a reduction to reflect the actual 800 ha of sanctuaries with USG supported biophysical monitoring activities.

Element Indicator Narrative \ 4 Economic Growth \ 4.8 Environment \ 4.8.2 Clean Productive Environment

Targets for the number of improved laws/policies/regulations were exceeded due to higher than expected local participation leverage, resulting from effective advocacy, social marketing strategies, and excellent collaboration with local councils in developing ordinances.

Program Area Performance \ 6 Program Support \ 6.1 Program Support

In FY 2007, USG planned to conduct an impact evaluation of all our programs in Mindanao. While the SOW has been completed by end of FY 2007, the actual conduct of the evaluation will be in January-April 2008.

Program Element Performance \ 6 Program Support \ 6.1 Program Support \ 6.1.1 Program Support

In FY 2007, USG planned to conduct an impact evaluation of all our programs in Mindanao. While the SOW has been completed by end of FY 2007, the actual conduct of the evaluation will be in January-April 2008. USG will use the Instability, Crisis and Recovery Program IQC for the conduct of the evaluation.

Key Issue Performance \ Local Organization Capacity Development

The USG supported the streamlining of the business permits and licensing process in 16 cities in Mindanao, and revenue generation initiatives, reducing the time it takes these cities to issue or renew business permits from as long as seven days to less than one. Participating cities have succeeded in registering more businesses, securing their right to operate on the property on which they reside and raising business tax collections by 25 percent. In health, USG assistance strengthened national and regional offices of the Department of Health and local partners in 29 provinces, and 588 municipalities and cities. Technical assistance was provided to strengthen local development plans and budgets; diversify and expand financing for key health services; improve training systems for service providers; and streamline various aspects of

local health management systems. Under various training programs, the USG conducted theater-based environmental campaign benefiting ten village schools; mangrove rehabilitation with 1,109 students participants; compost production, alternative livelihood, and solid waste management with a total of 647 local leaders participants.

Key Issue Performance \ Trafficking in Persons

USG continued to support the efforts of the Philippine Government to enforce the Anti-Trafficking in Persons Act of 2003. During FY 07, USG technical assistance to prosecutors and anti-trafficking civil society organizations helped obtain three convictions, and maintain the country's tier two status in the U.S. State Department's Anti-Trafficking in Persons Report of 2007.

Key Issue Performance \ Anti-Corruption

USG made significant gains in strengthening deterrents to and reducing opportunities for corruption. The completion of an automated case management system and the introduction of continuous trial has made the anti-graft court of the Philippines more efficient and effective in adjudicating corruption cases. Post's technical assistance to the Civil Service Commission led to revisions in the statement of assets, liabilities and net worth form of public officials, making it easier for government prosecutors to detect possible instances of corruption. Post's support for the Philippine Anti-Graft Commission has strengthened the capabilities of its investigators and the organization's ability to monitor the progress of anti-corruption measures adopted by key government agencies. In FY 07, activities under the environment program included the indexing of Environmental Governance Performance in 94 local government units (LGUs). USG activities assessed these LGUs in FY 07 for the midterm period and showed an improvement from 0.62 to 0.75 average environmental governance index. The index measures LGU performance in the area of functionality, transparency, accountability, and participatory processes of government decision-makers as they implement relevant environmental programs such as forestry, coastal resources, solid waste and waste water management.

Key Issue Performance \ Microenterprise

USG intensified support for activities to develop the capability of banks and credit cooperatives to profitably provide credit and savings services to microenterprises. Technical assistance provided covered activities to increase efficiency, outreach, and sustained growth and expansion of partner microfinance institutions. This has resulted in substantial increases in the number of microenterprises receiving access to financial services with 527,337 microenterprise clients served by USG-assisted rural banks and credit cooperatives, of which more than 80 percent are women.

Key Issue Performance \ Trade Capacity Building

USG continued its assistance to the Philippine government to facilitate the country's implementation of its WTO commitments, including customs valuation, and sanitary and phyto-sanitary standards; improve the investment climate through assistance to facilitate business registration; reduce export documentation; market restructuring of the power sector in the country's export processing zones; more open air transport access and improved inter-island transport and port facilities; and monitoring of the government's priority infrastructure projects.

The development of needed transport infrastructure to promote economic growth and strengthen the foundations of peace in Mindanao by the Philippine government was supported. In partnership with local governments, USG constructed 147 community-based infrastructure projects and 27 regional impact projects in the conflict affected areas in Mindanao.

USG supported initiatives to ensure the unhampered use of agricultural biotechnology applications and the continued implementation of the Philippine Department of Agriculture's (DA) existing science-based regulatory system. USG supported the development of three new biotech crops, namely, delayed-ripening papaya, papaya ringspot virus-resistant papaya, and fruit and stem borer-resistant eggplant. With the improvement of the peace and order situation in Mindanao, the USG continued to implement activities geared towards expanding job creating private investment in Mindanao.

Key Issue Performance \ Clean Energy

During FY07, an aggressive campaign was launched on the use of clean energy following passage of the Biofuel Act. Nationwide public consultations were held to educate people on the basic provisions of the law in order to gain public support. In the transport sector, more and more Public Utility Vehicle drivers and operators shifted towards use of biodiesel to improve mileage and reduce vehicle emissions. It was also noted that taxis in Metro Manila and Cebu City have shifted to the use of liquified petroleum gas (LPG), further reducing vehicle emissions. Technical assistance to the Philippine Department of Energy in preparing a Renewable Energy Bill, which is now considered a priority bill for the coming year. Under a USG rural electrification project, increased use of solar and micro hydro systems have minimized the use of polluting kerosene lamps for lighting. More Public Utility Vehicle drivers and operators are now practicing proper engine preventive maintenance to reduce fuel consumption and vehicle emissions. The USG also supported efforts in cities in Metro Manila, Davao, and Cebu to better enforce the Clean Air Act by helping to develop air pollution control ordinances, and by providing vehicle emission monitoring equipment and associated training. These activities have enabled partner cities to get non-compliant polluting vehicles off city streets.

Key Issue Performance \ Global Climate Change

In FY07, energy and environment projects contributed to the Presidential Climate Change Initiative by reducing greenhouse gas emissions. Through increased use of renewable energy technologies, cleaner fuels and improved management of forests, USG efforts led to the avoidance of 47,000 tons of carbon dioxide during FY07. USG projects also provided training related to global climate change. Led by local governments, local stakeholders adjacent to or inside forest areas are implementing activities that demonstrate progress in forest conservation and development of degraded lands, and other related activities. As of FY07, a total of 107,461 hectares of forestlands are now under improved management systems that contribute to greater carbon sequestration. The USG rural electrification project installed more than 4,800 solar systems, reducing the dependence on kerosene lamps and thus minimizing the production of 1,200 tons of carbon dioxide for the year. The passage of the Philippine Biofuels Act, which mandates the blend of ethanol and biodiesel into gasoline and diesel for transportation, helped lead to production of over 17 million liters of biofuels during FY07, equivalent to 45,000 tons of carbon dioxide avoided. Successful efforts in vehicle preventative maintenance and emissions control helped to further reduce carbon emissions.

Key Issue Performance \ Applied Research

In FY07, the USG continued to support local Philippine institutions in the conduct of research leading to the development and commercialization of locally developed biotech crops: delayed-ripening papaya, papaya ringspot virus-resistant papaya, and fruit and stem borer-resistant eggplant. Encouraging local research and development of biotech crops that address local needs could help dispel the notion that only multinational companies stand to benefit from biotechnology, enhance public acceptance of the technology, and contribute to Philippine agricultural development.

In the area of health, 27 policy scans were carried out in the areas of tuberculosis (TB), HIV/AIDS, Maternal and Child Health (MCH) and Family Planning (FP). The policy scans on TB came up with recommendations to enhance TB control efforts. The scans on HIV/AIDS identified strategies to improve governance and surveillance systems in agencies that play key roles in the country's HIV/AIDS response. The policy scans in FP and MCH led to the launching of more initiatives to effect integration of FP and MCH in public and private sector programs. Other applied research studies resulted in 1) the issuance of an administrative order to strengthen TB microscopy services; 2) redesign of the accreditation and reimbursement procedures under the health insurance package on TB; 3) development of the behavior communication plan for TB; and 4) more efficient and cost-effective delivery system for TB commodities.

Key Issue Performance \ Community Mobilization/Participation

USG assistance supported community mobilization and participation on a variety of levels throughout sectors. Mobilization and outreach activities are an integral part of health projects from HIV/AIDS surveillance and prevention to immunization and vitamin A supplementation.

In the environment sector, strategic communications and social marketing mobilized communities for improved waste management efforts in 44 municipalities. A cluster of 11 local government units in Bohol implemented an intensive campaign to raise awareness and generate support from the public on waste segregation and waste diversion activities and to address social acceptability on the construction of a sanitary landfill in the area.

In conflict affected areas of Mindanao, the USG supported highly participatory planning and budgeting processes in scores of communities enabling their active role in identification of government budget priorities for their localities and subsequent project implementation monitoring. In 16 of the 27 cities of Mindanao, communities were also actively involved in policy level discussions strengthening transparency and accountability in local governance through the business sector and civil society organizations. The training for and creation of village-level alternative dispute resolution channels is a highly participatory community activity that USG assistance has supported throughout the Autonomous Region in Muslim Mindanao.

Key Issue Performance \ Public-Private Partnerships

In FY07, energy and environment related projects have leveraged about \$9 million from various private partners for rural electrification, promotion of alternative fuels, reduction of air pollution and provision of drinking water supply. In support of rural electrification efforts, Mirant, a U.S. energy firm, contributed \$3 million for the electrification of 160 villages during FY07, plus an additional 100 during FY08. Private companies such as SM Malls, Ford, Caltex, Chemrez and SeaOil have contributed \$690,000 in FY07 to fund

public education campaign activities in order to help increase the awareness and utilization of biofuels. Under the clean air program, a partnership was established with the Philippine League of Corporate Foundations with more than 100 corporate members to encourage members to use alternative fuels in their vehicle fleets and reduce vehicle emissions through preventive maintenance program. The collaborative efforts of the governments of the U.S., Japan and the Philippines to create a water revolving fund has leveraged in FY07 \$5 million of private funds for two water supply projects, providing access to clean water for 283,900 people for the next six to ten years.

Key Issue Performance \ Civil Society

At the national level, the USG supported the Transparency and Accountability Network, a coalition of more than 20 civil society organizations (CSOs), and other CSOs to strengthen their capabilities to more effectively advocate greater transparency and accountability in governance. The USG also supported the training of more than 100 persons from CSOs who will serve as observers in government procurement activities. At the local level, the USG supported the organization of coalitions between local government units, business and CSOs to improve transparency and enhance public participation in local governance. The USG also supported CSOs and media organizations performing watchdog roles.

Key Issue Performance \ Water

During FY07, USG water and sanitation activities contributed to a number of Congressional and State Department initiatives. The installation of water supply systems in remote villages and conflict-affected areas of Mindanao provided over 106,000 people with access to potable water supply and directly contributed to the implementation of the Senator Paul Simon Water for the Poor Act of 2005. The installation of sanitation facilities benefiting 125,800 people also contributed to this legislation. In the area of watershed management and water productivity, 355,889 hectares of forest and coastal-marine areas were placed under improved management during FY07 activities. The collaborative efforts of USAID, the Japan Bank for International Cooperation (JBIC) and the Philippine government to create a water revolving fund has leveraged in FY07 \$5 million in private funds for two water supply projects that will provide clean water for 283,900 people for the next six to ten years. This collaboration between USAID and JBIC helps also to fulfill a USG commitment under the U.S. - Japan Clean for Water People Initiative. The leveraging of private funds for water projects will also help free up public resources, thereby enabling the Philippine government to channel scarce resources to subsidize the financing of less-than-creditworthy water utilities and help expand services to the poor.

Key Issue Performance \ Increasing gender equity

USG's gender activities included expanding economic opportunities for women, including Muslim women entrepreneurs, conserving natural resources by involving women and strengthening their roles, bolstering women's voices in desired family size and male involvement in family planning, improving maternal and child health, stemming the rapid increase of infectious diseases, including tuberculosis and HIV/AIDS, and achieving equality in education. USG's programs were designed to ensure women's participation across all sectors. In FY 2007, USG supported various women's fora to promote economic empowerment of women, and women's role in peace and development and supported efforts of civil society groups to prevent trafficking of women and children. USG's microfinance program enabled small rural banks to lend profitably to microenterprises of lower-income groups, 80% of whom are women. The success of these women-owned businesses has encouraged expansion of existing businesses as well as new business

formation. Traditionally, indigenous dispute settlement bodies like tribal councils and councils of elders, particularly in the Autonomous Region in Muslim Mindanao, have been dominated by men. Post's mediation program significantly enhanced the role and appreciation of women as peace advocates and mediators of conflict. Starting nearly at zero at the start of the activity, the proportion of women vis-à-vis the total number of volunteer dispute mediators is now approximately 25%.

Key Issue Performance \ Food Security

In FY07, the USG continued to support Philippine government efforts to implement its policy statement on modern biotechnology, which promotes the safe and responsible use of the technology as one of means to achieve and sustain food security. The USG assisted local research institutions develop new biotech crops with disease-resistance traits to reduce pesticide use, improve yields, and increase farm incomes. USG supported initiatives to ensure the unhampered use of agricultural biotechnology applications and the continued implementation of the Philippine Department of Agriculture's (DA) existing transparent and science-based regulatory system. The existing regulatory system approved the direct use as food, feed, and processing of 40 biotech crops and the commercial propagation of 4 biotech crops, making the Philippines ranked 6th in terms of approvals worldwide. About 120,000 hectares, mostly in Mindanao, were planted to biotech corn during the first three quarters of FY 07 up from 10,000 hectares in 2003 when biotech corn was approved for commercial planting.

Key Issue Performance \ Counter Terrorism

USG has made steady progress in counter-terrorism through a multi-faceted strategy to eliminate terrorists and deny them support and sanctuary; strengthen security forces; and promote peace and development in Mindanao. This strategy is carried out through a coordinated, inter-agency approach. Our support to the comprehensive Philippine Defense Reform program to thoroughly modernize the Philippine defense establishment is meeting targets. As a result of this support, as well as the advice provided by the DOD-funded Joint Special Operational Forces based in Mindanao, the Philippine military is now conducting its most successful operation, capturing or killing domestic and international terrorists. The stepped up assistance to law enforcement agencies has made significant strides in enhancing their capacity to detect, deter, and investigate terrorist activities. USG supports the recently-launched National Police Transformation Program with a Law Enforcement Advisor now embedded in the police force and targeting U.S. assistance toward fundamental reform through training and assistance in professional skills, ethics, and human rights. Post's development assistance program in Mindanao, where 60% of development resources go, continued to lay the foundations for a more peaceful and prosperous region that rejects terrorists. Every aspect of it, from health to education to infrastructure to energy/environmental management, contributes to defeating terrorism.

Key Issue Performance \ Biodiversity

A broad range of USG activities aimed at biodiversity conservation contributed to the improvement of national and local capacities to protect biodiversity and sustainably manage natural resources in this "megadiversity" country. Improved management of biologically significant areas covered 169,667 hectares and 401,889 hectares of forestlands and municipal waters in FY07. A total of 3,798 people (including 969 women) participated in training to raise awareness and improve resource management skills. The issuance of 123 local ordinances ensured legitimization of conservation areas with support from communities and local governments in 130 municipalities across the country. Interagency environmental law enforcement

bodies continued to operate effectively, assisted by target USG assistance. USG assistance through the Philippine Tropical Forest Conservation Foundation reported confiscation of 50,000 board feet of illegal timber from poachers. Local governments are demonstrating to constituents the benefits of USG assistance in having secured property rights, reduced illegal logging and destructive fishing, increased citizen involvement, and improved local government delivery environmental services. Local governments took steps to improve waste water management in slaughterhouses and public markets, minimizing discharge of wastes to critical aquatic habitats, and partner hotels in coastal areas implemented measures to reduce domestic wastewater discharge into marine areas.