

**COUNTRY ASSISTANCE STRATEGY  
PHILIPPINES: 2009-2013**



**U.S. Mission to the Philippines**

**Country Assistance Strategy**  
**Philippines: 2009-2013**

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## **I. Introduction**

### **A. Country Context**

The Philippines is a country rich in natural and human resource endowments. Located in a dynamic region for trade and investment, it is Asia's oldest democracy. Recent progress in macroeconomic performance has contributed to the highest growth rates in three decades. With an improved Government of the Republic of Philippines (GRP) fiscal situation, there are emerging positive trends in business confidence, increased investments in people and infrastructure, greater attention to addressing poverty and inequality issues, and progressive reforms of the military and police forces. The Philippine economy is comparatively well-equipped to weather the global financial crisis in the short term, due to recent efforts to raise new taxes and control the fiscal deficit, lower debt ratios, and adopt internationally-accepted capital adequacy standards for banks. Substantial development- and security-related efforts in the southern Philippines region of Mindanao have contributed to an improved enabling environment for peace and prosperity, although challenges remain in achieving lasting peace.

Despite this progress, the Philippines continues to fall short of its development potential. Economic growth rates have not been sustained at a level sufficient to raise real incomes and reduce poverty. It is estimated that 40% of the Philippines population, approximately 36 million people, live on less than \$2 a day. The poorest areas of the country are concentrated in conflict-affected areas of Mindanao, where up to 70% of the population lives in poverty. Other critical national development challenges, each of which directly constrains growth prospects, include: weak government institutions and rule of law; inadequate social services and infrastructure; environmental degradation; frequent natural disasters; the fastest growing population in East Asia; and armed conflict and security threats.

Remittances from overseas Filipino workers are the largest source of foreign exchange earnings and now represent 10% of the Gross Domestic Product (GDP). While a welcome source of national income, any significant drop in these remittances would have a major negative impact on the economy. Retail consumption fueled by remittances drives the domestic economy, and consumers, especially the poor, are under increasing pressure from rising energy and food costs. Corruption remains a significant problem. Transparency International ranked the Philippines 131 out of 180 countries on its 2007 Corruption Perceptions Index, a ranking that has changed little since 2001. In its 2008 report, Freedom House rated the Philippines as only "partly free" and highlighted concerns about the state of political rights and civil liberties.

Along with the long-running communist insurgency that affects the entire country, armed conflict, violent crime, and clan-based feuds in Mindanao pose significant threats to peace and security. Serious political challenges remain to achieving a negotiated peace settlement between the Moro Islamic Liberation Front (MILF) and the GRP. Complicating the internal security landscape in Mindanao are the possible links between domestic Islamic insurgents and international terrorist networks. Addressing these threats requires international and regional cooperation and improved police and military capabilities to better monitor and control the movement of people, goods, and funds.

## **B. Host Country Priorities and Political Commitment to Reform**

The GRP has demonstrated considerable commitment to addressing the country's development and security challenges. Willingness to undertake reforms is evidenced by frequent public statements and actions of leaders in the executive, legislative, and judicial branches of the Philippine government. A number of priorities were identified in the GRP's Medium-Term Philippine Development Plan for 2004-2010, which lays out the government's development agenda. Five areas were highlighted: livelihood - creating jobs and providing support for entrepreneurs and for agricultural sector development; education - increasing enrollment and improving school facilities and equipment; fiscal strengthening - attaining and maintaining a balanced budget and improving revenue collection; local development - improving infrastructure (transportation, power, telecommunications, and water) and advancing economic progress outside of the Metro Manila area; and national harmony - forging lasting peace in Mindanao and other areas with insurgencies. President Arroyo's 2008 State of the Nation Address reiterated her administration's commitment to prioritize these development agenda areas.

The Philippines has made solid gains in its pursuit of United Nations (UN) Millennium Development Goals (MDGs) and is on track to meeting most of its 2015 MDG targets. However, while most areas have seen improvements, the GRP will need to step up efforts in meeting targets in primary education and health services delivery. Overall, progress is uneven around the country, with Mindanao lagging behind other regions in MDG performance.

With national elections, including the Presidential race scheduled for May 2010, this Country Assistance Strategy (CAS) will need to remain flexible and able to respond to potential new GRP development priorities or changed conditions for reform. Similarly, the GRP will develop a new Medium-Term Development Plan for 2010-2016 and the CAS will need to take that into account.

The Philippines is now concluding a USG-funded Millennium Challenge Corporation (MCC) Threshold Program, implemented by the U.S. Agency for International Development (USAID). The program has focused on anti-corruption and revenue administration objectives. In addition, the Philippines is now an MCC Compact-eligible country and is in the early stages of consultations for the development of a compact proposal. The very best case scenario for an actual Compact agreement is sometime during FY 2010. As a result, the USG will need to factor in the possibility of a Compact in terms of foreign assistance priorities and ensuring full complementarity with the CAS.

## **II. Overall Strategic Approach and Priorities**

### **A. U.S. Foreign Policy Goals**

**The central U.S. foreign policy goal is that the Philippines becomes a more stable, prosperous and well-governed nation that is no longer a haven for terrorists.** As a major non-NATO ally of the United States, the Philippines plays an important role in regional and global initiatives aimed at building a more peaceful, prosperous, and secure world. Within the Association of Southeast Asian Nations (ASEAN), the Philippines plays a positive role on a range of issues important to the U.S., including trade and investment, Burma policy, democracy



and human rights, and regional security threats from terrorism to weapons of mass destruction. Within the UN system, the Philippines is an active participant in the General Assembly, a key partner on global refugee and human rights issues, and a reliable contributor of police and military forces for UN Peacekeeping missions.

Our assistance partnership with the Philippines directly supports U.S. foreign policy interests by promoting and deepening cooperation on security, trade and investment, and global environmental and health issues. With close historic and people-to-people ties with the Philippines, the U.S. enjoys a vibrant and strong bilateral relationship. Our assistance programs are an important tool in maintaining this relationship and ensuring effective dialogue and cooperation with national and local governments, the private sector, civil society, and other donors. To communicate U.S.-Philippines assistance cooperation, as well as the impact of U.S. foreign assistance, the U.S. government (USG) utilizes a variety of innovative methods for public and media outreach. This includes utilizing public diplomacy, such as promoting exchanges between the United States and the Philippines, to improve the ties between the two countries and strengthen Philippine human capital.

## **B. Strategic Vision and Themes for U.S. Foreign Assistance**

The **overall strategic vision of U.S. foreign assistance in the Philippines is a more prosperous, well-governed and stable democracy that is able to meet the needs of its people, especially the poor.** Our assistance approach was developed within the context of the USG Foreign Assistance Framework and the most recent Mission Strategic Plan for fiscal year (FY) 2010. Key **cross-cutting themes** for this CAS include:

**Governance and Rule of Law** Governance and rule of law is a key cross-cutting theme for nearly the entire USG assistance program. Practically every program activity entails some level of governance intervention, whether at the national or local levels. Over the course of this CAS, the USG will seek opportunities to advance our governance and rule of law objectives, across the full range of our programs, with a particular emphasis on human rights, reduced corruption, effective administration of justice, and provision of services by the national and local governments.

**Conflict Reduction in Mindanao** The USG has made significant investments in conflict reduction in the Mindanao region over the past decade. Progress has been achieved in improving the enabling environment for sustainable development and security. Still, substantial challenges remain, particularly in light of the inability of the GRP and the MILF to reach a final negotiated peace settlement. Over the next five years, the USG anticipates continuing to focus substantial resources on the conflict-affected areas of Mindanao, based on a two-fold rationale: first, this region of the Philippines has the highest incidence of poverty and human development challenges; and second, threats to security in Mindanao affect not only the Philippines, but also have an important impact on regional security. USG-supported conflict reduction activities will be integrated throughout economic growth, democracy and governance, health, education, energy and environment assistance programs. In addition, USG security cooperation efforts with the Philippine Government will contribute to improving the conditions for law and order.

**Disadvantaged and Vulnerable Populations** An important cross-cutting theme of this strategy is a focus on the disadvantaged and vulnerable. These include poor women and children that lack access to essential social services and economic opportunity, and victims of trafficking in persons and human rights abuses. USG assistance programs will take into account these populations, many of whom are particularly vulnerable to the impact of food insecurity, violent conflict, internal displacement, natural disasters, environmental degradation, and climate change.

**Disaster Preparedness and Mitigation** The Philippines is one of the countries in the world most prone to natural disasters. In areas with high poverty incidence, there is often a vicious cycle of limited economic opportunity exacerbated by recurring natural disasters. The USG, using a full range of civilian and military humanitarian resources, will seek to improve disaster preparedness and response capability efforts by working with the GRP and other partners.

**Public-Private Partnerships** Our assistance approach is based on an underlying principle of partnership. In this regard, the USG will actively link and leverage our assistance investments over the next five years with both government and non-government partners. With a strong record in building a range of assistance partnerships, particularly through USAID programs, the USG anticipates making such partnerships a fundamental assistance approach over the next five years, hence leveraging USG investments. In addition to pursuing these traditional avenues, the USG will seek opportunities to leverage the significant overseas remittances and other contributions of the Philippines diaspora.

### **C. U.S. Assistance Priority Goals**

The USG has four priority assistance goals during the period 2009-2013 (an overview of priority goals is shown in Appendix B):

#### **Goal 1: Accelerating Growth through Improved Competitiveness**

*(U.S. Foreign Assistance Program Areas: Macroeconomic Foundation for Growth, Trade and Investment, Financial Sector, Infrastructure, Agriculture, Private Sector Competitiveness, Economic Opportunity, Energy)* USG assistance will address constraints to trade and investment, promote greater competition, and encourage contract enforcement and adherence to the rule of law. Programs in Mindanao will seek to enhance private sector-led growth, improve access to credit for micro- and small-enterprises, increase agricultural productivity, improve the provision of economic infrastructure, and boost the employability of youth. Assistance will expand the reliable and affordable provision of energy by enhancing competition and improving economic governance.

#### **Goal 2: Strengthening Governance, Rule of Law, and the Fight against Corruption**

*(U.S. Foreign Assistance Program Areas: Transnational Crime, Conflict Mitigation and Reconciliation, Rule of Law and Human Rights, Good Governance)* USG assistance will improve governance, the rule of law, and the fight against corruption through judicial reform, public financial management reform, and improve the institutions and programs that combat corruption. This will strengthen the GRP's ability, particularly at the local government level, to afford and deliver basic services, make the infrastructure and other investments needed to promote

economic growth, address human rights abuses, develop a fair and efficient judicial system, and increase the credibility of electoral institutions and systems.

### **Goal 3: Investing in People to Reduce Poverty**

*(U.S. Foreign Assistance Program Areas: Education, Health, Environment, Water and Sanitation, Disaster Assistance and Readiness)* Under this goal, USG assistance will improve the quality of and access to educational opportunities for children and youth, improve the quality and accessibility of health services, support biodiversity conservation and access to clean water and sanitation, and support GRP and private sector efforts in disaster preparedness and mitigation.

### **Goal 4: Promoting a Peaceful and Secure Philippines**

*(U.S. Foreign Assistance Program Areas: Counter-Terrorism, Stabilization Operations, and Security Sector Reform)* USG assistance will focus on counter-terrorism efforts, address maritime security concerns, help the Armed Forces of the Philippines (AFP) transition away from internal conflicts towards territorial defense, and strengthen the capacity of the Philippines National Police (PNP) to address criminal activities and security threats. The USG will support and then leverage the realization of the GRP's long-term defense reform. We will assist GRP initiatives to improve the effectiveness of their military and national police forces, while ensuring full respect for human rights and the rule of law.

## **D. Donor Coordination Considerations**

As the largest bilateral foreign assistance grant donor to the Philippines, the U.S. is fully committed to coordination efforts among bilateral and multilateral donors and the GRP. The USG, primarily through USAID, undertakes activity-specific consultation and collaboration in the formulation and implementation of its programs to ensure complementary activities, efficient use and leveraging of resources and the achievement of desired outcomes. The USG actively participates in the Philippines Development Forum (PDF), a donor-government consultative group that is jointly chaired by the GRP and the World Bank, and also includes private sector and non-governmental organization (NGO) stakeholders. USG representatives participate in donor working groups organized in preparation for the PDF or to advance common agendas, as well as in other formal and informal multi-donor efforts. This participation ensures effective collaboration and activities that are complementary. The UN system takes the lead in coordinating activities related to achievement of the MDGs. The USG works with the donor community in the Philippines to develop programs which further the MDG targets.

The Philippines is actively implementing many of the principles outlined in the Paris Declaration on Aid Effectiveness, with the GRP's National Economic and Development Authority (NEDA) taking the lead in harmonizing initiatives of all multilateral and bilateral donors in the Philippines, including those of the USG.

The USG also consults with other donors (e.g., this CAS benefits from recent development constraint studies carried out by the World Bank and the Asian Development Bank) on the formulation and evaluation of their country strategies and programs. The largest loan donors in the Philippines are the Japan Bank for International Cooperation (JBIC), the World Bank and the Asian Development Bank (ADB), all of which focus primarily on sector-level or infrastructure



programs. The USG collaborates with the World Bank and ADB in many areas, including fiscal policy, rule of law, health, environment, energy, infrastructure, and education. The USG's collaboration with Japan is in the water, infrastructure development, and renewable energy sectors. The USG maintains an active dialogue with the International Monetary Fund (IMF) on macroeconomic, monetary, and fiscal issues. Australia, Canada, the European Commission, and various European Union (EU) member states include an emphasis on Mindanao, corruption, and governance that complements USG priorities. Australia has a number of initiatives in basic education, and China has recently begun to provide relatively substantial levels of concessional lending for infrastructure development. Another avenue for donor coordination is the USG participation in the World Bank-administered Mindanao Trust Fund, which seeks to support the reconstruction and development of conflict-affected areas of Mindanao.

### **III. Detailed Discussion of Priority Goals**

#### **Goal 1: Accelerating Growth through Improved Competitiveness**

##### **A. Situation Analysis/Problem Statement**

Improving the quality of life for more Filipinos requires an open and competitive economy that attracts and mobilizes job-creating domestic and foreign investment. While the recent record of economic growth and fiscal stabilization is encouraging, the Philippines faces economic growth constraints that work against robust job creation and poverty reduction. Job growth averages 2.5% annually, which is scarcely keeping pace with the population growth rate. A more competitive investment climate is necessary to create the economic opportunities that generate jobs, reduce poverty, and counter instability, especially in the conflict-affected areas of the country.

Historically, the Philippines has had a relatively weak investment climate and has failed to attract a significant share of foreign direct investment, averaging only 14% of GDP since 2000, one of the lowest rates in the region. Domestic investment has likewise remained stubbornly below potential, and scarce government resources have prevented adequate public sector investment in critical sectors like health, education, and infrastructure. Despite moderately strong growth of the GDP and an improved fiscal balance in recent years, the Philippines has been overtaken by Malaysia, Thailand, and China on a GDP per capita-basis. Persistent local governance weaknesses limit the effectiveness of development initiatives and current technical education and skills development systems are inadequate, especially in the Autonomous Region in Muslim Mindanao (ARMM) where out-of-school youth and adults are vulnerable to recruitment into criminal or insurgent activities. Hundreds of thousands of educated Filipinos choose to leave each year to work overseas rather than build their futures in the Philippines, a constant drain on the middle class base, which is historically important elsewhere to economic growth and improved governance.

Global competitiveness rankings and other investment climate diagnostics confirm that the major constraints to growth continue to be inadequate infrastructure, cumbersome business procedures, poor tax and customs administration, barriers to market entry, weak property rights, high energy costs, and lack of equitable and effective regulation and enforcement. These conditions persist

despite repeated efforts at reform. The key economic growth development challenge remains addressing competitiveness and governance-related issues.

## **B. Critical Assumptions and Risks**

In recent years, there has been significant progress in getting Philippine leaders to recognize and address the areas that weaken Philippine competitiveness in the world market. One critical assumption is that this level of concern and attention to these weak areas will continue into the future, especially with presidential elections scheduled for 2010. Without sustained improvements in areas such as tax administration and customs administration, existing revenue leakages will widen and the Philippines will face increasing risk from looming fiscal debt burdens. Continued rapid population growth, limited economic opportunities, and inadequate attention to workforce development for out-of-school youth and adults will exacerbate poverty, potentially contributing to an increased risk of conflict. Another risk is that difficult reforms may be challenged by narrow vested interests. If private sector interests collaborate with bureaucrats and rule-makers to inhibit market entry and broader competition, reform efforts will become difficult to implement and sustain.

## **C. Assistance Approaches**

Progress in improving Philippine competitiveness and economic growth can be achieved by continuing to focus on addressing constraints to trade and investment, improving tax and customs administration, promoting greater competition, facilitating improved transportation and logistics, and encouraging contract enforcement and adherence to the rule of law. During the next five years, the USG will build on progress achieved to date by working to improve the competitiveness of the Philippines through improvements in the business enabling environment and local economic governance, and through support for related reform programs. Programs in Mindanao will seek to enhance private sector-led growth, improve access to credit for micro- and small-enterprises, increase agricultural productivity, and improve the provision of economic infrastructure. Workforce development programs in Mindanao will strengthen English language proficiency among graduates of Mindanao's colleges, provide workforce readiness and technical/vocational training opportunities for out-of-school youth, and prepare out-of-school youth for entrepreneurship and employment. In the environment sector, assistance will expand the reliable and affordable provision of power by enhancing competition and improving economic governance.

## **D. Coordination of USG Efforts**

Embassy Manila's interagency Economic Policy Working Group (EPWG) will coordinate USG efforts to encourage growth through enhanced competitiveness. The EPWG includes U.S. Department of State (DOS), USAID, U.S. Department of Commerce, and U.S. Department of Agriculture. Topics covered by the EPWG span many areas including, but not limited to tax and customs administration, trade policy and intellectual property enforcement, competition policy and barriers to foreign participation and investment, agriculture, energy sector policy, and other infrastructure issues.

## **E. Role of Host Country/Regional Organizations/Private Sector Partnerships**

The GRP remains the most important player in achieving the goals of improved competitiveness, greater investment, and stronger economic growth. The Philippine National Competitiveness Council (NCC), with strong Presidential and Cabinet support, has developed and pushed an Action Agenda responding to key competitiveness priorities.

The USG will continue to partner with the private sector as companies, business chambers, and other civil society organizations have been effective advocates of economic reform and improved governance. Effective coordination with other donors and development organizations will take place primarily through participation in the NCC and the PDF. The USG routinely collaborates with the ADB and the World Bank on fiscal, trade, and investment related issues, and maintains an active dialogue with the IMF on its technical assistance program on tax administration. Many other bilateral donor agencies and multilateral development partners work with Philippine counterparts on various aspects of the competitiveness issue. Australia, Germany, Canada, and the International Finance Corporation (IFC) are prominent donors involved in improving aspects of competitiveness and economic governance at both the national and local levels.

## **F. Anticipated Results**

Over the next five years, the USG assistance will focus on implementing reforms that will improve the business environment and competitiveness, including an improved investment climate more attractive to foreign and domestic private sector investment. USG efforts will also contribute to a stronger public sector fiscal position that will enable increased public sector investment in critical sectors like health, education, workforce development, and infrastructure. USG assistance will focus on implementation at the local level with broader, national gains to be achieved as momentum builds and political leadership emerges after the 2010 elections. Greater access to diverse economic resources and youth employment opportunities will also contribute to conflict mitigation through improved life skills and provision of alternative livelihoods.

## **Goal 2: Strengthening Governance, Rule of Law, and the Fight against Corruption**

### **A. Situation Analysis/Problem Statement**

The Philippines has a long tradition of broad, participatory democracy. However, poor governance at the local level, weak rule of law, and corruption are long-standing problems that thwart the Philippine government's ability to deliver basic services and attract investment for economic growth. These problems magnify the feeling of political uncertainty in the country and lead to human rights abuses, low credibility of electoral institutions and systems, and recurring attempts to use extra-constitutional means to affect changes in leadership. Poor management of public finances undermines fiscal discipline, the strategic allocation of resources, and operational efficiency in the public sector. Major hindrances to public financial management in the Philippines are weak revenue performance and inadequate financial planning. In addition, the Philippine judiciary faces a wide array of challenges such as judicial independence, fiscal autonomy, and efficiency in the administration of justice. Judicial competence and integrity, along with access to justice, continue to be key concerns. Extrajudicial killings have decreased

since their peak in 2006, but progress in obtaining convictions in cases of human rights violations and human trafficking still remains slow, despite strong advocacy by civil society groups and the international community.

## **B. Critical Assumptions and Risks**

A critical assumption is that the GRP will remain committed and increase its commitment to improve its national and local governance capacity, enforce the rule of law, and combat corruption. Budget increases at the anti-graft Office of the Ombudsman and at the Supreme Court, which oversees the nation's court system, are examples of the GRP's commitment to better governance. However, these budget infusions will take years to have influence on the administration of justice, and large gaps remain in the funding at other GRP agencies. Civil society, while providing important assistance and oversight to the GRP, cannot on its own respond to the need. While the GRP has demonstrated a willingness to improve its national and local governance and rule of law record, it faces challenges in the implementation of many of its reforms.

With Philippine Presidential elections scheduled for May 2010, assistance approaches will also need to remain flexible in terms of governance and rule of law programming. The run-up to elections will have some impact on the USG's ability to engage policymakers on a range of issues and may slow implementation of certain assistance program activities.

## **C. Assistance Approaches**

To improve governance, particularly at the local level, the rule of law, and the fight against corruption, the three key focus areas for foreign assistance are judicial reform, public financial management reform, and improving the institutions and programs that combat corruption.

The USG is positioned to deliver ongoing assistance in the area of judicial reform through the work of committed non-governmental organizations. The USG has supported the reform program of the Philippine judiciary since the process began in 2001. This assistance has the following objectives: promoting judicial efficiency through alternative dispute resolution; electronic case management systems; improving court procedures; supporting capacity building; strengthening judicial integrity; enhancing access to justice; promoting human rights; and legal education reform. In the area of judicial competence and integrity, the USG will support the creation of a more stringent and transparent process of judicial selection and the modernizing and strengthening of the Philippine Judicial Academy to enhance judicial competence and strengthen public confidence in the judicial system. Programs in these areas would enhance the government's respect for human rights, help increase the number of convictions in cases of human rights abuses and human trafficking, and further improve citizens' access to justice. In the area of human rights, the USG will continue to advocate and support more effective investigation and prosecution of cases involving human rights abuses, including extrajudicial killings and disappearances. The introduction in 2009 of a Resident Legal Advisor from the Department of Justice Overseas Prosecutorial Development, Assistance and Training program will enable the USG to help strengthen police-prosecutor cooperation in the Philippines, a key factor in the successful prosecution of human rights violations.

In the area of public finance management, the USG will assist the GRP in streamlining their oversight processes and making them more transparent, with the goal of facilitating monitoring and reducing official discretion. USG support will explore ways to assist the GRP in improving revenue forecasting and seek better institutional arrangements between governmental agencies, especially between the national government and local government units. In addition, the USG will support civil society groups that analyze budgets and propose alternative programs to disseminate information and improve the financial management process.

The USG will continue to support key Philippine anti-corruption institutions, particularly assessments of the Office of the Ombudsman, the Anti-Graft Court, and the Court of Tax Appeals for vulnerability to corruption and provide training and support to improve their capabilities. The USG will also consider supporting active and vigilant civil society groups that will promote more accountability in government and improve the credibility of election systems and institutions.

#### **D. Coordination of USG Efforts**

In conjunction with DOS and the U.S. Department of Justice (DOJ), USAID will continue to be the primary channel for assisting the GRP in improving governance. The MCC will also be engaged in coordination efforts as the Philippines MCC Threshold Program comes to closure and Compact eligibility negotiations continue with the GRP. Governance is an inter-agency priority, and coordination efforts consist of weekly U.S. Country Team working meetings in which USG policy and program management are coordinated to maximize results. Examples include: collaboration between USAID and DOS to identify reform-minded individuals welcoming USG assistance and demonstrating the political will to champion and institutionalize reforms; and collaboration between USAID and DOJ to improve the investigation and prosecution of human rights, corruption, and other governance-related cases. Interagency collaboration helps ensure that reformers have broad USG support as they face constraints to change.

#### **E. Role of Host Country/Regional Organizations/Private Sector Partnerships**

The GRP will extend its five-year judicial reform plan (2003-2008) beyond its original timeframe based on demonstrated progress to improve the functioning of the nation's judicial system. The USG expects the AFP and the PNP to continue to play an active role in investigating cases of human rights abuses, including extrajudicial killings and disappearances. The USG is collaborating with the ADB, the World Bank, JICA, and the Australian Agency for International Development in the area of Governing Justly and Democratically. In terms of public-private sector partnerships, the USG will consider forging partnerships with information technology companies to develop e-government applications to make transactions and budgets more transparent and increase accountability of revenue collection. Given the challenges and successes in the governance field faced by other ASEAN countries, the USG will also consider partnering with ASEAN-based NGOs and private sector actors to assist with election monitoring, education, and training, in the upcoming 2010 elections.

## **F. Anticipated Results**

Policy support for good governance in the Philippines exists and is codified in the Constitution and Local Governance Code. At the macro-level, perceived respect for the rule of law and democratic processes, effective control of expenditures, budget discipline and the sustained delivery of services are benchmarks that can be used to measure progress in this area. At the micro-level, the USG measures progress along such lines as judicial reform, anti-corruption measures, and budget transparency. Improved capacity of GRP institutions will improve policy performance. In concrete terms, this will result in a more efficient and accessible judicial system, more credible elections, effective local governments, more effective checks and balances between government branches, stronger linkages between the national-provincial-local levels of government, and a more transparent fiscal system to reduce the incidence of corruption. Increasing convictions remains an important barometer of the GRP's ability to enforce the law and administer justice. Enhanced confidence in government could decrease the likelihood of conflict by easing historical tensions of perceived unfairness and neglect by the political and legal systems.

### **Goal 3: Investing in People to Reduce Poverty**

#### **A. Situation Analysis/Problem Statement**

Poverty reduction is a complex and multi-sectoral challenge in the Philippines. Improving the delivery of health, education, environmental, and disaster-related services is critical to fighting poverty. There has been some positive movement since 1990 in achieving the MDGs in this regard, demonstrated by decreases in the proportion of people living below the poverty threshold and in infant and child mortality rates. However, the Philippines has been slow to address declining rates of enrollment in secondary education, inadequate access to health services, and widespread environmental degradation. Complicating these difficulties are large geographic disparities in the quality of educational opportunities, health conditions, and access to safe drinking water and proper sanitation, with most of the lagging provinces located in Mindanao.

In education, children have limited access to quality educational resources and schools often cannot retain children who have enrolled. Many teachers lack the competence and knowledge needed to instruct their students effectively and children who complete their schooling are deficient in the skills needed to obtain good jobs. Out of school youth and drop outs have limited alternative learning options to continue and complete schooling.

Failure to address health concerns will drive more families into poverty, leading to social exclusion and increasing the likelihood of conflict and unrest. The country's population is expected to double by 2040. Over 7,000 women die each year from pregnancy related causes and there are wide disparities in child survival rates. Tuberculosis (TB) debilitates the workforce and results in over \$145 million in foregone wages. Less than half of Filipinos have access to water at the household level and most have no access to adequate sanitation. A fragmented institutional structure, poor utility governance, and weak regulation contribute to sluggish expansion of water supply and sanitation services coverage and the poor performance of utility enterprises.



In the environment sector, the Philippines' globally significant terrestrial and marine biodiversity resources remain under constant threat. Forest loss is among the highest in the Southeast Asia region. Seventy percent of coral reefs have been destroyed, destructive fishing practices threaten food security, and water pollution endangers biodiversity and human health. Poor governance and corruption exacerbate degradation of natural resources and biodiversity loss, and competition over increasingly scarce land, water, forests, and fisheries fuel conflict among populations.

The Philippines is one of the most natural disaster-prone countries in the world, subject to earthquakes, volcanic activity, floods, landslides and an average of 22 typhoons per year. Effective disaster preparedness, mitigation and response capabilities remain a challenge in the Philippines, particularly for large-scale disasters.

## **B. Critical Assumptions and Risks**

A critical assumption is that the Philippines will continue to increase investments in people, setting a high priority on addressing challenges in the delivery of improved education, health, water and sanitation, and environmental services. In education, it is assumed that the GRP will continue to pursue the decentralization of basic education reform and that private sector initiatives and spending on education will grow. In environmental conservation, it is crucial that sufficient political will continues to exist to apply and enforce conservation and sustainable use plans and legislation. Achieving results in water and sanitation will hinge on the expansion of service coverage, enforcement of performance standards, political will to raise water tariffs, and willingness of the private sector to invest in water infrastructure.

## **C. Assistance Approaches**

In education, USG assistance will improve access to basic education for children in high-poverty zones and conflict-affected areas, particularly focusing on reducing the dropout rate of school-age boys. Assistance will also enhance the quality of instruction; expand computer and internet instruction in high schools; and support underserved regions by developing better education governance, local government units' capacities, parental and teacher involvement in schools, and supportive community structures. Education programs will work to build and sustain partnerships and alliances with the private sector, jointly planning, funding, and/or implementing activities.

In the area of health, key focus areas are: to improve health sector governance at the local level; to address inequity in access to services especially among poor and marginalized communities in Mindanao; and to increase private sector contributions to improving public health outcomes. Within the public sector, USG technical assistance will strengthen local health systems, improve service quality, and increase the efficiency and available financing for health. Through the private sector, technical support will enable private business companies to invest in workplace health services, to market health products and commodities, and to increase the contribution of private practitioners in promoting family health within low-income communities.

The USG will support biodiversity conservation, with a geographic focus on areas of high biodiversity, including those in Mindanao. Assistance is centered on improving national and local capacity to manage key natural resources by: strengthening national and local governments and community environmental management capacities; improving policies, incentives, and nurturing political will for conservation; enhancing law enforcement; broadening the base of environmental financing; and mitigating natural resource conflicts.

In water and sanitation, USG resources will support activities that focus on bridging financing gaps, ensuring effective demand for financing the expansion of water and sanitation systems, and developing affordable sanitation approaches for local governments. The USG will assist with designing a benchmarking system to track the performance of water utilities, and supporting development of sustainable business models for providing water and sanitation services to the poor. In conflict-affected areas of Mindanao, the USG will continue to fund community and household level water supply systems.

The USG will support the GRP and private sector efforts in disaster preparedness and mitigation, particularly in areas of significant poverty and high susceptibility to natural and humanitarian disasters.

#### **D. Coordination of USG Efforts**

The USG addresses poverty through programs implemented primarily through USAID. USAID will continue coordination with the U.S. Peace Corps on English training for teachers and capacity building for parents and community leaders. The fruitful collaboration between USAID and the U.S. Foreign Commercial Service to leverage private sector resources for workplace health, rural electrification, and support for schools will continue. USAID and the U.S. military will continue to explore ways to improve access to health care within conflict-affected areas in Southern Philippines. USAID works closely with the U.S. Foreign Agricultural Service to implement a coordinated USG response to the threat of Avian Influenza in the region. USG agencies supporting the biodiversity conservation goals in the Philippines include the Department of State, USAID's Regional Development Mission-Asia (in Bangkok), U.S. Department of the Interior, U.S. Peace Corps, the National Oceanic and Atmospheric Administration, and U.S. Treasury (via the Tropical Forest Conservation Act). Existing mechanisms ensure coordination and collaboration among agencies, such as the USG Interagency Working Group for the regional Coral Triangle Initiative. Close cooperation across USG agencies, particularly with the U.S. military, will continue to characterize work on disaster preparedness and response.

#### **E. Role of Host Country/Regional Organizations/Private Sector Partnerships**

In education, the GRP provides a positive enabling policy environment to implement reforms. The Education Governance Act contains an overarching framework for placing education governance at the local level and the GRP provides technical assistance for program design. The key players in health service delivery are local governments and the private sector. At the national level, the Philippine Department of Health formulates policies and standards for regulation and financing of the sector. USAID coordinates program plans and implementation

with other donors, including multilateral organizations like the World Bank and foreign government donors. The Philippines' Environment and Agriculture Departments are the lead agencies in pursuing biodiversity and food security goals by harmonizing programs, instituting coordination mechanisms with other relevant national agencies, regional organizations, and programs. Mobilizing private sector funds to support biodiversity conservation is a priority agenda under this goal. The GRP will be at the center of the implementation of USG assistance in water and sanitation to ensure that financing policy reforms are adopted, performance standards are enforced, and incentives provided to water utilities and local governments achieve water and sanitation targets. Local governments will improve water utility performance and the implementation of water and sanitation expansion projects with the help of private sector financing. The USG will coordinate closely with the GRP's National Disaster Coordinating Council, the United Nations, and foreign government donors to avoid duplication of efforts and to ensure better disaster mitigation planning and the efficient and equitable distribution of disaster relief assistance.

## **F. Anticipated Results**

Increased access to and improved governance of social services contribute to conflict reduction and enhance the quality of life for local communities. Over the next five years, education programs will: increase access to education for children; improve the quality of teaching and learning in the Philippines; strengthen local government units and parent and community structures in education governance; and reduce dropout rates of school-age boys. In health, there will be increased use of maternal and child health services including family planning, and detection and treatment for infectious diseases. There will be a significant drop in TB infections and continued low prevalence of HIV. Public expenditures for health will increase at both the local and national levels, and around 90% of the poor will have financial protection through social health insurance.

With local initiatives scaled up, the USG anticipates improved biophysical status of forests and coastal resources. Resource-based conflicts and corruption will be reduced with improved management of approximately 650,000 hectares of forest and coastal resources in high-priority biodiversity areas. Increased numbers of Filipinos will have access to clean water and improved sanitation.

In humanitarian assistance, USG efforts will improve the quality and speed of services provided to populations affected by natural disasters and humanitarian crises during relief, recovery and rehabilitation. Expanded programs will be in place to help the national government and local communities prepare for and mitigate the impacts of natural disasters and humanitarian crises.

## **Goal 4: Promoting a Peaceful and Secure Philippines**

### **A. Situation Analysis/Problem Statement**

The U.S. peace and security partnership with the Philippines is making important progress in building a more stable and secure nation. However, significant challenges remain. The GRP's longstanding inability to provide consistent security across the country, particularly in the

southern Philippines, has led to criminal and terrorist activities that have weakened its influence at all levels and negatively impacted the delivery of essential social and economic services. Jemaah Islamiyah and Abu Sayyaf Group terrorists regularly transit through Philippine waters, and port security, especially in Mindanao, remains inadequate. The AFP has notable weaknesses in its systems and personnel resources which limit its ability to respond successfully to terrorism and insurgency challenges. The PNP and other Philippine law enforcement institutions have structural deficiencies that leave them unable to effectively take on civilian security responsibilities. Failure to achieve a peaceful and secure Philippines will result in a continued terrorism threat, political instability, and little or no expansion of economic opportunities.

## **B. Critical Assumptions and Risks**

This strategy assumes the Philippines will continue to partner with the U.S. in promoting a peaceful and secure Philippines, particularly in the southern region of Mindanao. USG assistance rests on the premise that the GRP will continue to show the political will needed to address the security-related gaps that exist in the Philippines, and to engage in negotiations with insurgent groups in Mindanao that would lead to a lasting peace settlement. The success of USG assistance will depend on the Philippine security forces remaining committed to a long-term strategy focused on training and modernization to counter threats from terrorist groups, as well as more effectively providing security in communities affected by violence. Two future events could impact the direction of USG and GRP efforts: the Philippines' 2010 presidential elections and peace negotiations between the GRP and the MILF; and the Philippines' seriousness to provide defense spending at a level commensurate with the military capabilities required to support their security strategy.

## **C. Assistance Approaches**

Counter-terrorism and promoting stability and security, not only in the Philippines, but in Southeast Asia remain key USG foreign policy objectives. The Philippines continues to face serious terrorism threats, especially in conflict-affected areas of Mindanao, and is an important and cooperative counter-terrorism partner. The USG will continue to support efforts to improve the ability of the Philippine military and civilian law enforcement agencies to respond to terrorism threats. USG foreign assistance will help the AFP transition away from internal conflicts towards territorial defense and strengthen the capacity of law enforcement bodies to address terrorism and criminal activities. USG funding will continue to complement a regional approach to maritime security, for infrastructure projects in conflict-affected areas of Mindanao, and for increasing the capabilities and professionalism of the PNP.

Specifically, USG assistance to the AFP will be focused on four program areas: supporting GRP efforts to reform its military into a robust defense institution through the Philippine Defense Reform (PDR); assisting counterterrorism efforts through training and equipping Philippine forces; assisting the AFP's sustainment and maintenance of critical, older U.S. systems that will be in use throughout the AFP's modernization transition; and promoting respect for human rights and rule of law through training programs. After the GRP's scheduled completion of PDR at the end of 2010, it may be necessary to continue particular PDR programs or projects, as required.

As the PDR becomes fully-realized, the USG will rebalance its efforts to support the fulfillment of the remaining three program areas for assistance to the AFP.

Since 2006, USG assistance in police training has significantly increased the capability of the Philippine law enforcement agencies to detect, deter, counter, and investigate terrorist activities in the Philippines through training courses and equipment grants. At the request of the PNP, USG police training programs will continue to provide training in: prevention – training will include investigative techniques, human rights, interview and interrogation skills, crime scene investigation, surveillance, use of informants, and preventing terrorist acts; response – explosive incident countermeasures training will improve the PNP’s ability to identify, neutralize, and dispose of explosive devices; post response – post-blast and terrorist crime scene investigation training will enhance the PNP’s investigative capacity; cyber terrorism – training in cyber crime investigations will lead to the establishment of PNP cyber crime units; sustainment – police training programs will be institutionalized for long-term impact.

Additional assistance will improve the basic capabilities of the PNP and fill gaps in tactical capability to further professionalize the police force by focusing on: Model Police Station Development – training in police skill competency areas will be conducted at locations identified as critical by the PNP; Maritime Police Boat Unit – establishing a maritime police unit in Palawan to counter criminal and terrorist activities; Sulu Province Police Training – developing basic skills for PNP personnel in Sulu province, including ethics, human rights, community policing, and patrol/arrest procedures. Future assistance will continue to provide training and infrastructure for Mindanao and Sulu Archipelago police units and expedite the transition of security responsibilities from the military to law enforcement agencies.

#### **D. Coordination of USG Efforts**

The Department of Defense (DOD), DOS, and DOJ primarily implement USG peace and security efforts. Coordination for assistance programs is achieved through Embassy Manila law enforcement and political-military working groups which provide policy and program recommendations to the U.S. Country Team. Close inter-agency cooperation gives all USG stakeholders an opportunity to discuss ongoing aspects of programs and projects to ensure that all participating agencies have a clear understanding of overall objectives and the operational aspects of projects. The working groups provide a forum for coordinating programs and maximizing the use of USG resources. As programs change over time or as new programs are added, USG agencies work together to identify specific roles and responsibilities.

#### **E. Role of Host Country/Regional Organizations/Private Sector Partnerships**

GRP involvement is essential to the success of USG assistance in promoting a peaceful and secure Philippines. The benefits of military and police training and reform can only become institutionalized if the government makes it a priority. To date, the GRP has spent over \$400 million of its own funds on Philippine Defense Reform, demonstrating a solid commitment to improving its security forces. The government increasingly makes respect for human rights and rule of law integral to the training and operations of security forces. NGOs play a key role in keeping attention on the need to promote ethics, human rights, and anti-corruption training in

military and police curriculums. Regionally, the Philippines shares common border security concerns with Malaysia and Indonesia, and the three have begun to hold regular meetings to discuss ways to better integrate their efforts. In the future, organizations such as the ASEAN Regional Forum may provide a venue for the Philippines to address tri-border security issues and transnational crime as it relates to Philippine internal security.

## **F. Anticipated Results**

Over a five-year period, success in promoting a peaceful and secure Philippines would see the military turning over internal security responsibilities to the PNP as the threat from terrorist organizations is eliminated and the government reaches a permanent peace with insurgent groups such as the MILF. Training and modernization of the Philippine military and police would further their professionalism and increase the public trust in these institutions. Evident gains would be witnessed by an increase in the arrest, prosecution, and conviction of terrorists and criminals, and growing areas of peace that report fewer incidences of violence. Problems that today are considered a “national security threat” would become law enforcement issues. By improving the ability of the military and police forces, both the short-term need to defeat terrorists and insurgent movements and the long-term capacity building needed for the police to act as the primary agents of public order can be achieved. The stability produced by such a scenario would allow economic development to improve throughout parts of the Philippines, mitigating the conditions that give rise to criminal and terrorist groups.

## **IV. Resource Assumptions**

The USG foreign assistance policy priorities for the next five years discussed in this strategy assume a constrained budget environment, both in terms of overall assistance levels and with respect to congressional earmarks. The USG anticipates significant earmarks will remain at their current levels or increase, such as in the health and the environment sectors. Based on the average of the prior FY 2008 funding streams, the planned FY 2009, and DOS approved FY 2010 budget levels, and assuming a straight-lined budget for the remaining three years (2011-2013) of the strategy, the USG estimates it will cost approximately \$560 million to accomplish the aforementioned priority goals over the next five years. Of this amount, approximately \$142 million (25%) will fund Peace and Security activities; \$51 million (9%) will go towards Governing Justly and Democratically (although other program areas will include major governance-related efforts); \$180 million (32%) for Investing in People; and \$187 million (33%) for Economic Growth. These amounts reflect programs only implemented through the USG’s foreign operations budget (150 account) and do not include funds that we expect to leverage or funding for agencies outside of this account. The proposed budget for this strategy also does not include estimates for funds that may be received from the MCC should the GRP achieve compact status.

Over the next five years, the USG anticipates a continuing focus of substantial resources on the conflict-affected areas of Mindanao. Resource allocation shifts that will differ from previous foreign assistance strategy levels are increases in Governing Justly and Democratically for pre- and post-2010 Philippines elections support, civil society and governance strengthening.



The USG has a strong record in building a range of assistance partnerships, particularly through USAID programs, and will continue, over the next five years, to leverage USG investments by establishing public-private partnerships, negotiating host-country contributions, and coordinating with the donor and NGO communities for efficient use of U.S. assistance. Host-country contributions include national and local government unit support, and primarily consist of infrastructure project counterpart contributions and in-kind amounts of GRP staff time, office space, and equipment. The USG discusses these contributions as part of negotiated bilateral agreements with the GRP. Embassy Manila will also consider joint programming with other U.S. missions in the region to maximize program impact and funding, including the areas of combating trafficking in persons, improving border security and anti-terrorism efforts, and promoting marine conservation and sustainable fisheries.

In the event that additional resources were to be made available to the U.S. Mission in the Philippines, the highest priorities for increased funding would be to deepen initiatives in conflict-affected areas of Mindanao and strengthen programs supporting Philippine law enforcement efforts. If sufficient additional funds are available, the USG will then also consider expanding programs in governance, agriculture, and disaster mitigation and preparedness. A decrease in anticipated budget levels would severely hinder the USG's ability to advance U.S. foreign policy interests, especially those building upon gains achieved in Mindanao. The U.S. Mission in the Philippines would not be able to undertake new initiatives that are critical to success, and would need to consider phasing out activities.

Adequate mission staff is essential to providing daily management oversight and accountability of USG funds. The U.S. Mission to the Philippines anticipates adding more American direct-hire staff to its cadre of officers through USAID's Development Leadership Initiative. An important balance of both junior- and senior-level officers will need to be maintained to ensure proper mentoring and implementation of activities.

## V. Appendices

### Appendix A

#### List of Acronyms

ADB	Asian Development Bank
AFP	Armed Forces of the Philippines
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
CAS	Country Assistance Strategy
DOD	United States Department of Defense
DOJ	United States Department of Justice
DOS	United States Department of State
EPWG	Economic Policy Working Group
EU	European Union
FY	Fiscal Year
GDP	Gross Domestic Product
GRP	Government of the Republic of Philippines
IMF	International Monetary Fund
IFC	International Finance Corporation
JBIC	Japan Bank for International Cooperation
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MILF	Moro Islamic Liberation Front
NCC	National Competitiveness Council
NEDA	National Economic Development Authority
NGO	Non-governmental organization
PDF	Philippines Development Forum
PDR	Philippines Defense Reform
PNP	Philippines National Police
TB	Tuberculosis
UN	United Nations
USAID	United States Agency for International Development
USG	United States Government



**OVERVIEW OF UNITED STATES COUNTRY ASSISTANCE STRATEGY FOR THE PHILIPPINES 2009-2013**

*Vision: A more prosperous, well-governed and stable democracy that is able to meet the needs of its people, especially the poor*

Priority Goals			
<p><b>Accelerating Growth through Improved Competitiveness</b></p>	<p><b>Strengthening Governance, Rule of Law, and the Fight against Corruption</b></p>	<p><b>Investing in People to Reduce Poverty</b></p>	<p><b>Promoting a Peaceful and Secure Philippines</b></p>
<p><b>Assistance Approaches</b></p>			
<ul style="list-style-type: none"> <li>➤ Improve infrastructure provision</li> <li>➤ Streamline business procedures</li> <li>➤ Increase efficiency of tax and customs administration</li> <li>➤ Reduce barriers to market entry</li> <li>➤ Enhance effectiveness of regulation and enforcement</li> <li>➤ Strengthen property rights</li> <li>➤ Reduce energy costs</li> <li>➤ Expand workforce development for youth and adults</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve fiscal management and revenue generation</li> <li>➤ Increase judicial efficiency, competence, and integrity</li> <li>➤ Reduce corruption</li> <li>➤ Improve human rights protection and trafficking systems</li> <li>➤ Strengthen electoral institutions and systems</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase access for children and youth to quality education</li> <li>➤ Reduce geographic disparities in health conditions</li> <li>➤ Increase household access to water and sanitation services</li> <li>➤ Reduce threats to biodiversity resources</li> <li>➤ Increase effectiveness of disaster preparedness and relief programs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Mitigate criminal and terrorist activities, especially in Mindanao</li> <li>➤ Strengthen Philippine military systems and personnel resources</li> <li>➤ Improve Philippine law enforcement institutions</li> </ul>
<p><b>Areas of Focus</b></p>			
<p><u>Investment</u></p> <ul style="list-style-type: none"> <li>➤ Improved transportation and logistics</li> <li>➤ Microenterprise growth</li> <li>➤ Agricultural productivity</li> <li>➤ Youth employability</li> <li>➤ Provision of power, water, and wastewater services</li> </ul> <p><u>Economic governance</u></p> <ul style="list-style-type: none"> <li>➤ Tax &amp; customs administration reform</li> <li>➤ Contract enforcement and the rule of law</li> <li>➤ Local implementation of reform programs</li> </ul>	<p><u>Judiciary</u></p> <ul style="list-style-type: none"> <li>➤ Alternative dispute resolution, improved court procedures, legal education reform</li> <li>➤ Philippine Judicial Academy strengthening</li> <li>➤ Investigation and prosecution of human rights abuse cases</li> </ul> <p><u>Public finance</u></p> <ul style="list-style-type: none"> <li>➤ Budget oversight improvement</li> <li>➤ Revenue forecasting</li> <li>➤ Institutional linkages between national and local governments</li> <li>➤ Anti-corruption institutions strengthening</li> </ul>	<p><u>Education</u></p> <ul style="list-style-type: none"> <li>➤ Access to quality of basic education for children</li> </ul> <p><u>Health</u></p> <ul style="list-style-type: none"> <li>➤ Health sector governance</li> <li>➤ Equitable access to services</li> <li>➤ Private sector contribution to public health outcomes</li> </ul> <p><u>Environment and disaster</u></p> <ul style="list-style-type: none"> <li>➤ National and local natural resource management capacities</li> <li>➤ Water and sanitation systems and approaches</li> <li>➤ Disaster preparedness</li> </ul>	<p><u>Military</u></p> <ul style="list-style-type: none"> <li>➤ Philippine Defense Reform</li> <li>➤ Counterterrorism efforts through training and equipping Philippine forces</li> <li>➤ Modernization of the Armed Forces of the Philippines based on U.S. systems</li> <li>➤ Respect for human rights and the rule of law</li> </ul> <p><u>Law enforcement</u></p> <ul style="list-style-type: none"> <li>➤ Capacity to address terrorism and criminal activities.</li> </ul>
<p><b>Cross-Cutting Themes</b></p>			
<p><b>Governance and Rule of Law:</b> Emphasis on human rights, anti-corruption, effective administration of justice, and provision of services by local governments.  <b>Conflict Reduction in Mindanao:</b> Focus on conflict-affected areas in Mindanao, given poverty, major development and security challenges.  <b>Disadvantaged and Vulnerable Populations:</b> Address concerns of the poor, women and children, victims of trafficking and human rights abuses at serious risk from economic events, food insecurity, violent conflict, natural disasters, environmental degradation and climate change.  <b>Disaster Preparedness and Mitigation:</b> Improve capabilities to mitigate and respond to natural disasters.  <b>Public-Private Partnerships:</b> Leverage assistance investments with other government and non-government partners as a fundamental business practice.</p>			

## Appendix C

Philippines Development Data Profile				
	2000	2005	2006	2007
<b>World view</b>				
Population, total (millions)	76.21	84.57	86.26	87.89
Population growth (annual %)	2.1	2.0	2.0	1.9
Surface area (sq. km) (thousands)	300.0	300.0	300.0	300.0
GNI, Atlas method (current US\$) (billions)	80.32	107.2	120.1	142.6
GNI per capita, Atlas method (current US\$)	1,050	1,270	1,390	1,620
GNI, PPP (current international \$) (billions)	189.4	270.5	296.2	327.7
GNI per capita, PPP (current international \$)	2,490	3,200	3,430	3,730
<b>People</b>				
Income share held by lowest 20%	5.4	..	..	..
Life expectancy at birth, total (years)	70	71	71	..
Fertility rate, total (births per woman)	3.6	3.4	3.3	..
Adolescent fertility rate (births per 1,000 women ages 15-19)	50	49	48	..
Contraceptive prevalence (% of women ages 15-49)	47	..	..	..
Births attended by skilled health staff (% of total)	58	..	..	..
Mortality rate, under-5 (per 1,000)	40	33	32	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Immunization, measles (% of children ages 12-23 months)	81	93	92	..
Primary completion rate, total (% of relevant age group)	..	96	94	..
Ratio of girls to boys in primary and secondary education (%)	..	103	102	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	0.1
<b>Environment</b>				
Forest area (sq. km) (thousands)	79.5	71.6	..	..
Agricultural land (% of land area)	40.7	40.9	..	..
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
Improved water source (% of population with access)	90	..	93	..
Improved sanitation facilities (% urban population with access)	78	..	81	..
Energy use (kg of oil equivalent per capita)	557	528	..	..
CO2 emissions (metric tons per capita)	1.0	..	..	..
Electric power consumption (kWh per capita)	511	588	..	..
<b>Economy</b>				
GDP (current US\$) (billions)	75.91	98.71	117.6	144.1
GDP growth (annual %)	6.0	4.9	5.4	7.3
Inflation, GDP deflator (annual %)	6.3	6.4	5.2	2.7
Agriculture, value added (% of GDP)	16	14	14	14
Industry, value added (% of GDP)	32	32	32	31
Services, etc., value added (% of GDP)	52	54	54	55
Exports of goods and services (% of GDP)	55	48	46	39
Imports of goods and services (% of GDP)	53	52	48	44
Gross capital formation (% of GDP)	21	15	14	15
Revenue, excluding grants (% of GDP)	15.2	15.0	16.2	..
Cash surplus/deficit (% of GDP)	-3.9	-3.0	-1.3	..
<b>States and markets</b>				
Time required to start a business (days)	..	58	58	52
Market capitalization of listed companies (% of GDP)	34.2	40.7	58.2	71.6
Military expenditure (% of GDP)	1.1	0.9	0.9	0.8
Fixed line and mobile phone subscribers (per 100 people)	12	45	54	..
Internet users (per 100 people)	2.0	5.5	5.8	6.0
Roads, paved (% of total roads)	..	..	..	..
High-technology exports (% of manufactured exports)	73	71	68	..
<b>Global links</b>				
Merchandise trade (% of GDP)	101	92	86	75
Net barter terms of trade (2000 = 100)	100	86	84	..
External debt, total (DOD, current US\$) (millions)	58,304	61,718	60,324	..
Short-term debt outstanding (DOD, current US\$) (millions)	5,495	6,395	5,009	..
Total debt service (% export goods/services/income)	14.3	16.7	19.6	..
Foreign direct investment, net inflows (current US\$ millions)	2,240	1,854	2,345	..
Workers' remittances received (US\$ millions)	6,212	13,566	15,251	16,860
Official development assistance/aid (current US\$ millions)	575	564	562	..
<b>Source: World Bank, World Development Indicators database, September 2008</b>				

## **Appendix D**

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## **Appendix E**

### **Country Analysis Requirements**

With respect to USAID programs, Country Assistance Strategies must include required biodiversity and tropical forests analyses, as required by Sections 118(e) and 119(d) of the Foreign Assistance Act of 1961, as amended. While discussion based on their content is incorporated in the main text of the CAS, the full analyses are available on USAID/Philippines' website, <http://philippines.usaid.gov/>.