

Data Sheet

USAID Mission:	Philippines
Program Title:	Economic Governance
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	492-002
Proposed FY 2004 Obligation:	\$8,708,000 DA; \$2,725,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$8,500,000 DA; \$5,000,000 ESF
Year of Initial Obligation:	FY 1995
Year of Final Obligation:	FY 2007

Summary: USAID's economic governance program addresses issues that are most fundamental to ending the Philippines' pattern of badly stunted economic growth: conflict and corruption. The major focus will be development of transparency and accountability programs in government agencies to address areas of operation which are vulnerable to corruption. A variety of methods will support better governance, at every level of government. The program also contributes to fostering the investment (both internal with improved tax collection, and external with better policies to attract foreign investment) and job growth needed to reduce poverty and create an economic environment conducive to conflict reduction. It furthers U.S. interests in combating terrorism and promoting stability in the Asia region, and enhances trade and investment opportunities by expanding the Philippine market, making commercial and financial transactions with the Philippines more transparent, and protecting intellectual property rights.

Inputs, Outputs, Activities:

FY 2004 Program:

Make institutions, policies, and practices more transparent and accountable (\$5,851,000 DA, \$2,225,000 ESF). This program will implement a well-integrated economic growth and democratic governance program of technical assistance, training, civil-society support, legislative support, and institutional development. Outputs will include information collection, analysis, and dissemination; assistance with development of policies, and legislative and regulatory drafts; legislative briefings; new civil-society organizations with sectoral expertise; strengthened governmental institutions responsible for implementing or enforcing reforms; and strengthened legal-judicial systems. The most important areas of focus will be money laundering/terrorist financing, tax administration, government procurement reform, and banking and securities regulation.

Increasingly, the program will put more emphasis on corruption mitigation. USAID will provide technical assistance to government agencies in the development of transparency and accountability improvement programs that address areas vulnerable to corruption. USAID will fund training, research, and study visits to the Inter-Agency Anti-Graft Coordinating Council composed of anti-corruption agencies such as the Office of the Ombudsman, the Commission on Audit, the Civil Service Commission, and the Presidential Commission against Graft and Corruption. New initiatives include strengthening of judicial ethics, emphasizing ethics in legal education and the bar exam, and community policing. USAID will continue to provide technical assistance and training to in-court and out-of-court judicial systems, including mediation. More broadly, the program will support innovative approaches to conflict resolution at the grass roots and higher levels, particularly in Mindanao where marginalized groups have limited access to the judicial system. Additional activities will focus on the strengthening of local government management.

Remove competitive barriers to development of infrastructure and trade (\$2,857,000 DA, \$500,000 ESF). The integrated economic governance program will support open and equal access to markets and inputs and public participation in regulated, decentralized, competitive service delivery by local governments and the private sector. USAID will assist with competitive procurement for infrastructure such as roads, ports,

shipping, aviation, power, telecommunications, and information technology and will provide technical assistance and training in monitoring performance, regulation and rate setting, privatization and out-sourcing, and training workers in critical skills. USAID will expand technical assistance for institutional reform in the Bureau of Customs.

These programs are implemented in an integrated framework by Development Alternatives, Inc., with IBM and Transnational Public Policy Advisors as sub-contractors. Implementing grantees include The Asia Foundation, the American Bar Association, the Financial Sector Volunteer Corps and several Philippine non-governmental organizations. ESF funds concentrate on combating corruption in governance, particularly at the local level and in Mindanao, and in addressing national level policy, institutional and regulatory issues relating to corruption in governance, finance, and commerce. DA funds primarily address competitiveness and openness of the economy.

FY 2005 Program:

Multi-year reform efforts to make institutions, policies, and practices transparent and accountable (\$5,500,000 DA, \$3,000,000 ESF). This program will continue to increase emphasis on corruption mitigation. New counterparts may include the Philippine anti-graft court. USAID will continue to provide technical assistance and training to in-court and out-of-court judicial systems, including mediation, and in implementing institutional reforms in tax administration and government procurement. USAID will also expand assistance to rationalize and control public expenditure management. USAID may provide technical assistance and training to bring additional openness to the government financial sector. These activities will use the same implementers as for FY 2004, plus new ones as determined by competitive procurements.

Remove competitive barriers to development of infrastructure and trade (\$3,000,000 DA, \$2,000,000 ESF). USAID will continue assistance to the Department of Finance, which contains both the Bureau of Internal Revenue and Bureau of Customs. USAID will provide technical assistance and training in areas related to infrastructure: contracting and procurement, monitoring of performance, regulation and rate setting, and privatization and out-sourcing. A special effort will be made to address issues that arise with infrastructure projects in conflict-affected areas of Mindanao. The program will continue to use the same implementers as for FY 2004 activities, plus new ones through competitive procurements.

Performance and Results: USAID provided technical support to the initiatives of the Central Bank (Bangko Sentral ng Pilipinas, BSP) and the Anti-Money Laundering Council (AMLC) to amend the Anti-Money Laundering Law (AMLA) to meet the concerns of the Financial Action Task Force. The initiatives were aimed at strengthening the capacity of the AMLC to detect and combat "dirty money" within the financial system. The Philippine Congress passed the amendments to the AMLA in February 2003. USAID provided technical assistance in drafting Executive Order 170 which formally launched the Roll-on Roll-off sea-land transportation technology as an alternative and viable transportation facility. Potential gains from this policy are reduced transportation costs, faster movement of goods, and lower prices for basic commodities. Other downstream benefits should include increased agricultural production in key areas, including the conflict-affected areas of Mindanao.

USAID provided technical assistance to the Department of Budget and Management to develop the Implementing Rules and Regulations (IRRs) for the Government Procurement law passed in 2002; these were recently approved by the President. USAID supported a series of IRR workshops, and publicized the new rules so that they could be widely and quickly implemented. In addition, USAID has funded local NGOs for continuing monitoring of procurement operations to ensure that they achieve their desired result. In the financial sector, USAID helped the GRP pass the Special Purpose Asset Vehicle Act, a key piece of legislation that will help banks reduce their nonperforming loans. Passage is hopefully near on another piece of legislation, the documentary stamp tax, crafted with USAID assistance. Its passage would help create a functioning bond market.

US Financing in Thousands of Dollars

Philippines

492-002 Economic Governance	DA	DCA	ESF	MAI
Through September 30, 2002				
Obligations	31,690	1,001	13,991	60,244
Expenditures	23,629	600	3,543	60,244
Unliquidated	8,061	401	10,448	0
Fiscal Year 2003				
Obligations	8,246	0	2,250	0
Expenditures	6,219	-100	6,231	0
Through September 30, 2003				
Obligations	39,936	1,001	16,241	60,244
Expenditures	29,848	500	9,774	60,244
Unliquidated	10,088	501	6,467	0
Prior Year Unobligated Funds				
Obligations	0	0	0	0
Planned Fiscal Year 2004 NOA				
Obligations	8,708	0	2,725	0
Total Planned Fiscal Year 2004				
Obligations	8,708	0	2,725	0
Proposed Fiscal Year 2005 NOA				
Obligations	8,500	0	5,000	0
Future Obligations	8,500	0	5,000	0
Est. Total Cost	65,644	1,001	28,966	60,244