

# Country strategy for development cooperation

with the Philippines

January 1, 2001 – December 31, 2005



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# Country strategy for development co-operation with the Philippines 2001-2005

## Summary

Swedish development co-operation with the Philippines has evolved along two main lines. Public sector co-operation was initiated by BITS and Swedecorp during the 1980s, and has consisted of business sector support, technical co-operation and credits. Co-operation via Swedish NGO's started at the beginning of the 1980s.

The country analysis identifies three main obstacles to development in the Philippines: problems related to good governance, sustainable use of natural resources and the conflict on Mindanao. Sweden's co-operation with the Philippines has been limited, focusing primarily on providing support to areas in which Swedish knowledge and expertise can assist Philippine development efforts. The co-operation has largely been *ad hoc* and has concerned financially limited measures, principally in the form of contract-financed technical co-operation and support to NGO's. The Swedish dialogue with the Philippine Government has consequently been limited.

Within the framework of Sweden's overall development co-operation objectives, the goals for co-operation with the Philippines shall be (1) to contribute to the sustainable use of natural resources from a poverty perspective, and (2) to help strengthen the democratic system of governance and the civil society. Priority should continue to be given to strategic areas that have a distinct knowledge and methods development approach. Concentration and focus should be aimed for in order to ensure maximum impact for the Swedish support. The primary co-operation forms will continue to be contract-financed technical co-operation and credits/guarantees.

Contract-financed technical co-operation enables a partner in the Philippines to solve a problem with the aid of Swedish knowledge and expertise. Account should be taken of the Asia strategy's prioritisation of broader contacts between Asia and Sweden and the establishment of mutually beneficial co-operation forms. Attention should therefore be paid to comparative advantages in the Swedish resource base.

Swedish NGOs' cooperation with partners in the Philippines increased during the 1990s and is expected to continue to intensify. This co-operation plays an important role in strengthening a vigorous civil society, which received declining amounts of international donor support in the latter part of the 1990s. There is a distinct trend towards increasing support that promotes human rights - including support for vulnerable groups such as women and children - and strengthening the democratic process.

Sweden should continue to monitor developments in Mindanao. If the reconciliation process that is now under way lays the foundation for a sustainable peace process, Swedish support should be considered, primarily as part of internationally co-ordinated measures.

## **1. Conclusions from the country analysis**

### 1.1 Political developments

The change of government in the Philippines at the beginning of 2001 helped pave the way for political development in the country. The former president, Estrada, who won the 1998 presidential election with a sizeable majority, came to power on the strength of the votes of the poorest segment of Philippine society. However, his rule was subject early on to growing accusations of corruption, incompetence and inability to carry out necessary economic and political reforms. Regular scandals surrounding the president's person and his immediate circle, a rapidly declining economic climate and an escalating armed conflict with the Muslim separatist movement, the Moro Islamic Liberation Front (MILF), on the island of Mindanao led in the autumn of 2000 to increasing demands for the President's resignation.

Since President Gloria Macapagal Arroyo came to power, the potential for carrying out long-overdue social, economic and political reforms seems considerably improved. The election in May 2001 was crucial for the legitimacy of the new regime. Despite the fact that the election outcome was not the overwhelming victory for President Macapagal Arroyo that the many advocates of the civil society had predicted, the result nevertheless enabled the President to join with other forces in Congress and begin to initiate the legislation that is necessary in the long term for fundamental economic and development reforms. It is true that Parliament continues to reflect both the inequalities prevailing in Philippine society and the lack of a deeper democratic culture. Nevertheless, there are some indications of change. The new Parliament contains fewer representatives of the landed aristocracy and the traditional clans. In addition, the radical left is represented in Parliament for the first time since the 1960s, when the democratic process was abandoned in favour of armed conflict. This is a development which can prove to be significant in the light of President Macapagal Arroyo's efforts in the peace talks to induce the Philippine communist party to lay down its arms.

At the same time, Philippine society contains a number of obstacles which the new Government must overcome, not least widespread poverty and a political system which – despite its democratic forms – continues to be dominated by the traditional elite. It is a difficult but vital task for President Gloria Macapagal Arroyo to attempt to break these patterns. The President's reform efforts are supported by an, from a regional perspective, unusually strong and well-developed civil society. and by an educated middle class which breaks with the Philippine political past in imposing demands and no longer allowing itself to be governed passively.

The President has highlighted the importance of peace on Mindanao as essential to sustainable social and economic development in the country as a whole. Unlike her predecessor, the President has also appointed representatives of the Muslim minority to leading positions in the administration, and initiated peace talks with the Muslim separatist movement MILF. The Government has also initiated peace talks with the leaders of the communist guerrilla movement's umbrella organisation, the National Democratic Front.

## 1.2 Development problems

Political rights in the Philippines are well safeguarded in comparison with the rest of the region. There is considerable freedom of expression and association. Political debate is lively and unrestricted and the media enjoy a freedom unique in the region. Freedom of association has given the Philippines an active and dynamic civil society. Electoral turn-out is usually high, between 60 and 90 percent.

However, the political world is dominated by patronage: that is, personal networks consisting of family ties, protection and debts of gratitude. As a result, relationships often mean more in the political world than legislation. This strongly personalised political culture has had the effect of delaying the emergence of a modern party system. Each politician has his own party, which disappears with its leader and expands rapidly if the leader is successful at the ballot boxes. Each political party is normally a coalition of political families or extended clans and power groups.

The Philippines has not yet developed an autonomous civil service culture. The administration is characterised by lack of administrative continuity, which seriously restricts its ability to implement political decisions. This, in combination with widespread corruption, low wages and constant political and personal intervention in interpreting legislation and official praxis in order to promote different special interests, tends to further hamper the administration's ability to implement political decisions.

All these factors have meant that the Philippines lags behind several other countries in the region in terms of economic growth and income levels. In the last decade average growth was 4 percent, barely above the population increase. Per capita GDP in the Philippines is low for the region at USD 1020, approximately half that of Thailand. Today the Philippines is barely ahead of countries such as China and Indonesia. One important reason for this is that the economic structure has traditionally favoured unprofitable investments, speculation and exploitation of natural resources at the cost of profitable agricultural investment, exports and increased savings.

When the Asian crisis struck in the summer of 1997 the Philippines was about to bring to an end 30 years of co-operation with the IMF. Between 1991-96 an extensive reform programme was carried out and growth increased to 6-7%. During the Asian crisis the Philippines was seriously affected by the problems of other countries. Nevertheless, it emerged from the crisis relatively unscathed, partly because it had already initiated banking reform. This meant that the country was not affected by the same kind of financial and property crises as its neighbours. Democracy, pluralism, freedom of the press and transparency also proved to be valuable assets in an international crisis of confidence. However, economic recovery after the crisis has not lived up to expectations.

Despite extensive liberalisation, privatisation and economic deregulation during President Ramos' regime (1992-1998), the list of remaining political and economic reforms is long and politically complex. Reform still needs to be carried out of legi

slation aimed at improving financial market regulation and transparency, and at privatising and rationalising the energy sector. Corruption continues to be widespread and damaging.

The Philippines has failed to reinforce its domestic mobilisation of resources and is still dependent on foreign capital. During the 1990s, the domestic saving ratio was approximately 17 percent, which has led to low investment. The inefficient tax collection system partly explains the considerable budget deficit. Agriculture has lagged behind the rest of the economy and continues to be protected from foreign competition. The Philippine economy continues to depend on payment transfers from more than five million Philippine guest workers abroad.

The greatest obstacle to more rapid economic growth, however, is the problem of improving governance in general, and the political institutions' lack of solidity in particular. The Philippine macro-economy is often competently managed. However, the political system in general has not proved strong enough to draw up a cohesive and decisive development policy and produce the level of good governance necessary to create international confidence and competitiveness.

The country has serious environmental problems. There are strong indications that they have reached a level at which environmental costs are undermining the surplus created by economic growth. The most serious problems are air and water pollution, the use of natural resources, waste management and the already considerable depletion of biological diversity.

Five million families, more than a third of the population, live below the poverty level. Over half the country's poor households – 3,3 million – live in rural areas. The reason why the Philippines lag behind the rest of the region in its fight against poverty is primarily attributable to a tradition of capital-intensive and internally-directed economic policies, a political system which has hitherto been unable to reverse the policy, and a highly inequitable distribution of income and resources. A further factor is insufficient investment in human capital, particularly in primary healthcare and education. The growth structure means that poverty levels decline in Greater Manila during periods of intensive growth, while remaining relatively unaffected in rural areas.

The Philippine Comprehensive Agrarian Reform Programme, CARP, is a complex and controversial process. Only a few countries in the world, including Costa Rica and the Philippines, have dared to attempt to implement agrarian reform within a framework of democratic regulations, respect for ownership rights and access to judicial appeal against decisions. The result has been a long, expensive and complicated process. The total cost of the reform is estimated at 10 billion dollars. At the end of the ten-year reform period in 1998 only 57 percent of the objective had been achieved. For this reason the reform period has been extended to 2004. So far redistribution has chiefly concerned state-owned lands, lands confiscated under the Marcos regime, uncultivated land, some plantations, etc. There remains the more politically sensitive and controversial part of the reform, the legally-backed redistribution of privately-owned lands, principally large sugar and coconut plantations.

The agrarian reform has the strong support of the Philippine people and the international donor community. It is a genuine redistribution process, and is therefore of considerable political and symbolic significance. The CARP is also said to be justifiable in economic terms, since it is believed that the redistribution of lands and clearer ownership rights can lead to increased agricultural productivity in the long term.

Most of the necessary legislation to guarantee equal rights for women and men is already in place. The problem is rather ensuring that the legislation is observed. In the modern parts of the cities women often play a prominent role, although discrimination does occur. Violence, often sexual, against women is still common. Prostitution, child prostitution and trafficking in women and children take place. Internationally organised trafficking is an increasingly serious problem for the Philippines, which is energetically trying to influence other countries - together with Sweden and Thailand among others, to take joint action against this type of international crime.

UNAIDS estimates that in 1999 24 000 people out of a population of 71 million were living with HIV/Aids. 29% of these are women and under 1% children. The number of children made orphans by the disease is put at 480. Even if it is assumed that UNAIDS' estimate is low, it is clear that the disease has not yet reached epidemic proportions in the Philippines. The rate of increase is low for the region.

### 1.3 Mindanao

A serious obstacle to successful economic and social development is the situation on Mindanao, southern areas of which are traditionally the home of the Philippine Muslim minority and one of the country's most impoverished and underdeveloped regions. One of the greatest successes of the Ramos administration was the peace agreement signed in September 1996 with the leading Muslim separatist movement on Mindanao, the Moro National Liberation Front (MNLF). The agreement gave the MNLF-dominated area greater self-rule. This was unacceptable to a splinter group, the Moro Islamic Liberation Front (MILF), which demanded the establishment of an independent Islamic state on Mindanao. It has therefore not been possible to establish peace in those parts of the island where the Muslims are in the majority. Armed violence in combination with widespread lawlessness and crime have considerably inhibited social and economic development of the region and led to serious suffering for the civil population.

The new Philippine Government's Mindanao policy is one of the cornerstones of its development plan for the Philippines for the period up to 2004. The Government has made rapid progress in its aim to attempt to replace the Estrada regime's "all-out war" policy with the MILF with a more peaceful approach. With the assistance primarily of Muslim countries and organisation (OIC, Malaysia, Indonesia and others) formal peace talks were started between the Government and the MILF in spring 2001.

At the same time as efforts are being made to bring the MILF to the negotiating table, talks are being held between the MILF and MNLF aimed at reuniting the two groups. This development could be significant for the attempt to isolate more extremist groups

such as Abu Sayyaf. If successful it could also lead to the reorganisation of the Muslim leadership on Mindanao, where the self-rule established in 1996 has been characterised largely by misrule.

President Macapagal Arroyo's appointments policy has underlined the importance the Government places on solving the Mindanao conflict. Six people from Mindanao have been appointed to senior positions close to the President, including the vice-presidency. The government offices are also preparing a 'mini Marshall plan' with leading donor countries which places special emphasis on infrastructure and poverty reduction. Particular importance is placed on basic healthcare, education and reconstruction in areas affected by the conflict.

The implementation of such development measures has so far been hampered by the lack of resources and the fact that the Philippine Government has only limited representation in the southern Muslim parts of Mindanao. Hamlets, villages and towns there are largely governed by clans according to ancient common law. In the non-Muslim parts of Mindanao, donor countries have largely so far been able to carry out their activities without threats to their safety. According to reports, the return of refugees to previously conflict-ridden areas has increased considerably recently. A number of infrastructural projects such as irrigation have been carried out. A large number of international donors including the World Bank, the EC, UNDP and USAID are running projects aimed at the reintegration of former MNLF guerrillas into society. In 1997 Sweden contributed SEK 1 million to the UNDP project. Assessors are of the opinion that, despite some difficulties, the international projects have helped keep the peace process alive on Mindanao.

## **2. Conclusions from the results analysis<sup>1</sup>**

### **2.1 Goals of the country strategy 1997 – 2001:**

The co-operation was directed primarily towards the transfer of expertise and technology in order to support processes and institutions essential to positive economic and social development, the consolidation of democracy and an improved environment. Attention was paid to supporting developments on the island of Mindanao. Increased support in the environmental sphere was aimed for. There was also an effort to structure the co-operation in such a way that it contributed to strengthening the exchange between Sweden and the Philippines.

The principal forms of support were contract-financed technical co-operation, NGO's, international courses and credits. The planning level was SEK 25 million per annum, excluding credits and NGO's.

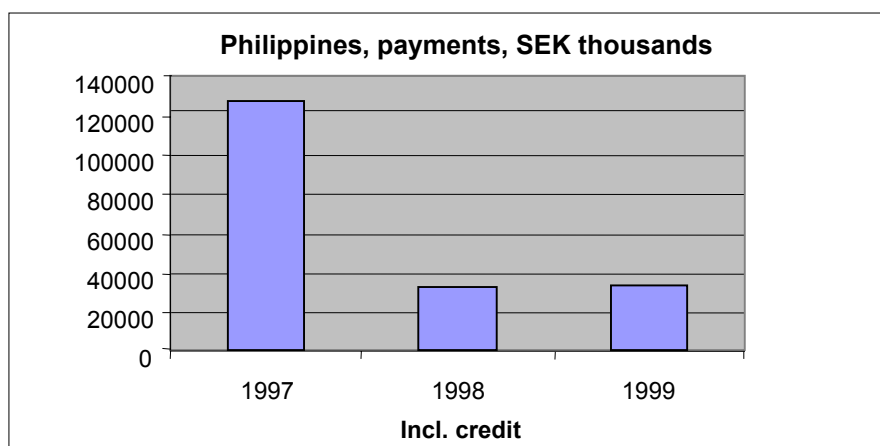
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<sup>1</sup> The analysis covers the period 1997–1999 and is concurrent with the country strategy, which applies from 1997. The previous period was covered in the results analysis of 1996. Several contract-financed technical co-operation projects were preceded by earlier phases, which are referred to in the analysis. The implementation of the credit (HVDC Leyte–Luzon) goes further back in time, but it is only now that it has reached the stage where it is included in the reporting.

Private sector support was phased out during the period. Swedish NGO's were encouraged to increase their democracy and human rights activities. Direct support was not anticipated, and neither was research co-operation or special environmental support. Experiences gained from the strategy period indicate that the goals were too broadly formulated. The number and volume of project proposals within the field of contract-financed technical co-operation was considerable. The broad goal definition opened the way to proposals from a large number of sectors and fields, and meant that the country strategy could not be given an overall direction in priority assessment. The country strategy has also been seen to contain certain conflicts of interest, primarily between goals and co-operation forms (detailed below).

Private sector support was phased out during the strategy period, contracted measures which ran after 1996 were included under contract-financed technical co-operation until the agreements expired. Contract-financed technical co-operation has been the predominant co-operation form. During the period, support has been given to two credits worth a total of SEK 120 million.

The country strategy's level of SEK 25 million for contract-financed technical co-operation and international courses cannot be said to have had a direct steering effect. The factors limiting payments have rather been Swedish capacity to assess project proposals and the Swedish state budget payments ceiling.



The volume of Swedish support is relatively limited, which means that an overall effects assessment cannot be made, even at sector level. Follow-up of the country strategy goals is influenced by the form the co-operation takes. Contract-financed technical co-operation and credits are largely reactive instruments, which means that partners in the Philippines are initiators and Sida the financier. It is difficult to make an overall assessment of project results or effects. The following summary therefore takes up some general policy and methodological issues which were given priority in the first country strategy. Individual projects are reviewed separately in the results analysis.



**Environment.** The environment has acquired considerable significance during the strategy period, primarily within contract-financed technical co-operation. Almost all the proposals received concerned the use of natural resources in some way, and the necessary Swedish expertise was available. The majority of partners in the Philippines are in Greater Manila and have been partners for many years, in some cases up to a decade. There have been smaller projects with new partners outside Greater Manila, such as on Mindanao.

**Human rights and democracy.** Developments in the country have made possible active and increasing co-operation between Swedish NGO's and different stakeholders in Philippine civil society. Interest in and commitment to democratisation and human rights have meant that co-operation evolves naturally. The NGO's represent different interests in Swedish society with their own unique expertise and role to play. They are also in a good position to develop contacts and co-operation with the relevant organisations and establish relations based on the exchange of knowledge and skills.

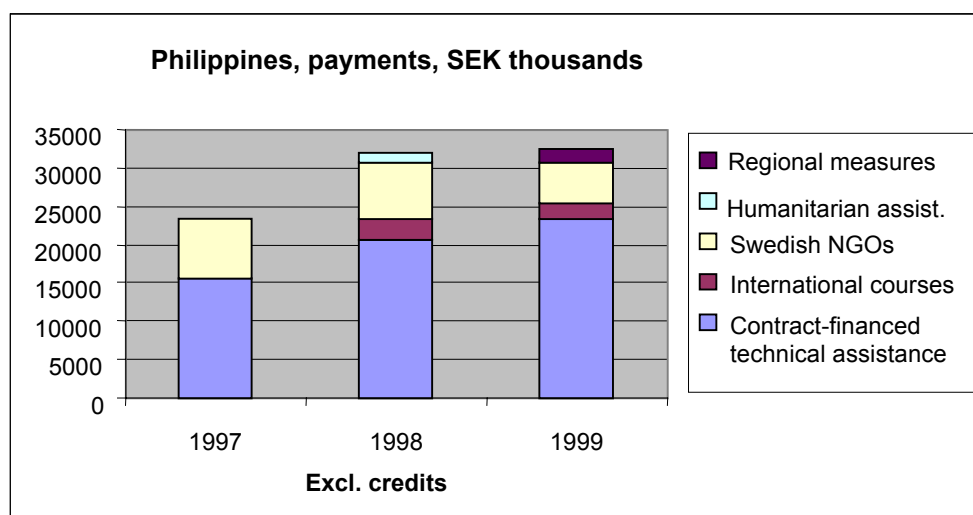
**Poverty.** The co-operation appears to have indirectly helped create better living conditions for different groups in society. However, most projects have had other goals than directly helping to alleviate poverty among the poorest groups. Within contract-financed technical co-operation, for example, better waste management and access/ quality of drinking water have brought about an improvement in the quality of life for poorer groups, particularly women. Contract-financed technical co-operation in the environmental field has helped strengthen the competence of local institutions which, studies show, has in turn helped to give poor groups access to local public services and investments. In the same way, co-operation between NGO's whose primary aim is improvements in the democracy/human rights area has resulted in better conditions for disadvantaged groups. The projects have a clear focus on women, children and disadvantaged groups, and to a certain extent on the social sectors, principally education. The support can be said to function as a complement to a less well functioning public social safety-net in the Philippines.

**Conflict-management on Mindanao.** Direct support to Mindanao has been made via UNDP. The project has been supported by several bilateral donors. Swedish financing came from the allocation 'Asia, regional, other'. It has so far not been possible to carry out a full evaluation of experience from the support because of incomplete reporting of its results and effects. Within contract-financed technical co-operation, direct support to Mindanao was made within the framework of a small number of projects. The contract-financed technical co-operation projects carried out on Mindanao have had an environmental focus. There has so far been no demand for contract-financed technical co-operation that combines the conflict and poverty perspectives.

Contract-financed technical co-operation projects are normally short-term, and therefore do not evolve through different phases over the years. The 1997-99 country strategy stated that support can be given to several phases of a programme, i. e. long-term initiatives. Experience shows that efforts towards a more long-term approach have had a counter-effect on renewal in the country programme. Some projects which in 1997 had already passed through several phases continued in new ones. The support to

agrarian reform is one example. It has proved difficult to extend the use of the Swedish resource base. It has also been difficult to combine long-term and reactive approaches. On the other hand, the evaluation of contract-financed technical co-operation in the Philippines has revealed the positive effects of allowing projects to develop through several phases. One reason is that core issues can sometimes only be identified in the second phase.

Credits, contract-financed technical co-operation and international courses by their nature contain the potential for co-ordination and positive synergy. This potential has been utilised during the period 1997-99 in that a credit has been co-ordinated with donor-financing of certain components via contract-financed technical co-operation. The synergy effects are positive and it should be possible to strengthen them further.



The first country strategy included the goal of expanding economic exchange between countries. Demand in the Philippines for technical expertise from abroad on a purely commercial basis is limited by cost. There is, however, a market for services that are partially financed by foreign support. Contract-financed technical co-operation has enabled some Swedish companies to gain experience of the Philippine market and start competing for contracts financed by the Asian Development Bank.

**Swedish NGO's.** Since 1989 there has been an increase in the number of projects carried out through Swedish NGO's with the focus on democracy and human rights (not including trade union projects). Involvement and interest in these issues has grown. Sida has not taken any active steps to encourage Swedish NGO's to increase their democracy and human rights activities. Projects have shown increasing awareness of gender equality issues. On the other hand, very few projects have been carried out which focus directly on poverty or the environment.

The first country strategy recommended Swedish NGO's to increase their democracy and human rights activities.

The evaluation of NGO projects reveals them to be relevant and to meet the country's development requirements. Furthermore, the co-operation has helped strengthen the civil society through the organisational and capacity developments that have taken place. The fact that the co-operation is based on a relationship between equal partners (for example trade unions) increases the potential for a successful outcome.

The evaluation also shows that the participation of the groups involved was high and long-term sustainability acceptable. The evaluation finds project-related financing to be preferable, as the Philippine partner's contribution means that the project is able to continue after the external financing has ceased. The financing of running costs involves a greater degree of dependence on donor resources. The civil society in the Philippines is in general very much dependent on external resources. Because of inadequately formulated goals and measurable monitoring indicators it has not been possible to evaluate the extent to which the goals have been achieved. The problem is serious since it means that an important assessment factor is missing.

### 3. Philippines Development Strategy

President Macapagal Arroyo's government has presented a revised version of the 'Medium-term Philippine Development Plan 1999-2004' which the Estrada regime drew up after gaining power in 1998.

Much of what is stated in the revised version is familiar from the previous governments' development plans, although the new Government's political priorities are more clearly defined than those of its predecessor. The problems identified are largely the same: increasing mass poverty, inequitable distribution of resources, stranded land reforms, the absence of good governance, corruption, unbridled environmental destruction and the increasingly threatening destabilisation which followed successive central governments' failure to develop Mindanao socially and economically.

The development plan highlights the increasing mass poverty in Philippine society as the greatest destabilising factor for the country's development and the principal cause of the current depletion of the country's natural resources. Poverty also provides fertile soil for ethno-religious conflicts and the Muslim separatist movements' activities in Mindanao.

The development plan as a whole is characterised, therefore, by **poverty reduction through sustainable development and wider income distribution**. It shows clear evidence of the increasing pressure from the international donor community to use support principally to tackle the increase in mass poverty,

Its long-term goals are to create:

- \* sustainable income growth
- \* full employment
- \* stable prices

- \* reduction of mass poverty
- \* improved income distribution.

The plan states that sustainable economic growth and a more equitable income distribution are important to the achievement of significant poverty reduction over a ten-year period. In order to achieve these goals, considerable improvements are required to the system of governance on a market economics basis, with equal terms for all stakeholders. Another requirement is the early achievement of macro-economic stability and the carrying out of a number of structural economic and social reforms. The development objectives must be financed through increased state revenues. This in turn requires the introduction of an effective tax collection system, increased saving and basic reforms in existing social security systems.

The plan also highlights the need for reforms aimed at broadening the currently concentrated ownership of the country's assets. Previous measures aimed at creating economic growth were unfavourable towards the broader segments of the population and were therefore not sustainable in the long term. The development plan marks the Government's view that the population as a whole should benefit in an economy that has a distinct market- and investment-friendly basis. At the same time, stress is placed on the importance of a well-functioning social safety-net in response to greater vulnerability to external shocks which are the inevitable consequence of a globalised economy and increased economic integration. Special measures are announced directed at increasing employment through investments and the modernisation of agriculture, tourism and IT.

The Government has also undertaken to provide immediate resources for employment and development programmes for urban slum populations. The Government has stated that the promotion of **peace and stability in Mindanao** is crucial for sustainable social and economic development in the country as a whole. Of central importance are President Macapagal Arroyo's initiative to start peace negotiations with the MILF and the special development plan, the 'mini Marshall plan' for Mindanao, which the Government is expected to announce in connection with the opening of the new Congress at the beginning of July. The development plan gives priority to the rapid reconstruction of areas affected by conflict. Measures of a more long-term nature focus on the economic and social development of the poorest areas through the transfer of resources to the local level.

### 3.1 Evaluation of the development strategy

Is there reason to believe that the new Government's development plan will be affected by the same kinds of problems as those which impeded the implementation of earlier plans? The problems and social injustices in Philippine society have tended to increase in recent years. The new administration came to power in a period characterised by increasing domestic turbulence and social conflicts and economic recession.

There is growing awareness in society that social, political and economic reforms are inevitable and can no longer be delayed. The international donor community has in

icated its confidence in the new administration and promised increased support. The President's development plan reveals an understanding of the necessity of change. At the same time, all the structures and problems which previously hampered the implementation of development policies are still in place.

One factor that is of considerable importance to the fulfilment of the development plan is the growth of the global economy in general and the regional economy in particular. The sustainable use of resources is another critical area. Problems there can create serious conflict situations in the future. The economic consequences of environmental depletion are expected to undermine the resources on which welfare is currently based.

#### **4. Strategic issues**

Development co-operation continues to be an important factor for continuing development in the Philippines, although the country is not as dependent on support as some of its neighbours. The Philippines has developed close co-operation with Japan, the Asian Development Bank and the World Bank, which today account for approximately 96 percent of the support. In addition, many other bi- and multilateral donors have established co-operation with the Philippines. The EU is also involved and is currently the largest donor in Mindanao.

Sweden is one of the group of countries engaging in regular policy dialogues with the Philippines within the framework of the World Bank's donor conferences. There is in place a well-developed system of sectoral co-ordination among the major donors. As a donor nation Sweden plays a limited but not unimportant role in supplying the Philippines with knowledge and competence in areas of importance to the country's development. At the same time measures are limited, and Sweden is not in a position to assume broader sectoral responsibility. The Swedish support is not large enough to contribute to long-term development within an entire sector. In order to ensure maximum impact for Sweden's support it should focus on selected instruments and areas, and a clear competence and methodology development approach should be aimed for. Attention should therefore be given to the priorities contained in the Asia strategy of broadening contacts between Asia and Sweden, and enabling the development of mutually interesting co-operation.

The country analysis identifies three main obstacles to development in the Philippines: problems related to good governance, sustainable use of natural resources and the conflict on Mindanao. The analysis shows that the Philippines is a low middle-income country with widespread poverty, particularly in rural areas.

The current combination of contract-financed technical co-operation and credits has proved to be an effective instrument in the Philippines. Contract-financed technical co-operation enables a Philippine partner to solve a problem with the aid of Swedish competence. Credits/guarantees provide financing for individual investment projects. Both forms require the Philippine partner to identify problems and solutions without Swedish interference. The co-operation should focus on areas in which the Swedish

resource base has comparative advantages. Experience shows that such comparative advantages exist in such areas as the sustainable use of natural resources.

With respect to good governance it should be said that, from a formal point of view, the Philippine democratic system is well developed. There is a framework in the form of a legislative, judicial and executive power, although all three areas periodically reveal considerable weaknesses. Violations of human rights occur on a small scale and are largely the result of deficiencies in the system rather than deliberate policy. There are at the same time in the Philippines independent media and an active civil society which provide a counterweight to such violations. The impediments to good governance can largely be attributed to a culture and values with deep roots in a feudal system, and to insufficient competence and capacity in the administration. The change process in this area is therefore long term in nature. Despite the fact that the Swedish resource base is restricted, it should nevertheless be possible to implement measures in which Swedish models and experience can be called on to strengthen the administrative system. It is also expected that Swedish NGO's will continue to engage in strengthening the civil society.

The conflict on Mindanao is ultimately a consequence of the extensive economic and social problems in the area. Mindanao continues to be the poorest and socio-economically most deprived part of the country. Attempts in the 1990s to deal with the problems in the area failed for a number of reasons, including a weak administration, lack of resources, corruption and the effects of continuing armed conflict between Muslim guerrillas and the Government. This also influenced the donor community's ability to make effective contributions to the development of the area. UNDP, in a preliminary evaluation of its measures to reintegrate MNLG guerrilla soldiers into the civil society, has identified all these factors. At the same time, UNDP has maintained that without the international community's efforts the peace process would have been put in jeopardy. The instability on Mindanao and UNDP's incomplete report and evaluation have made it difficult to assess the effects of the measures carried out in 1997-98. If the peace talks are successful there will be further demand for internationally co-ordinated support measures which combine conflict and poverty aspects in particular. If this happens, the question should arise whether or not Sweden can contribute to measures directed at strengthening the prospects of a changeover to peace and development on Mindanao. In addition, the infrastructural investment announced by the Philippine Government can lead to an increase in interest in contract-financed technical co-operation, not least in the environment sector.

## **5. Goals and co-operation forms**

Against the background of the strategic issues and Sweden's overall development co-operation objectives, the goals for development co-operation with the Philippines are:

*To contribute to the sustainable use of natural resources from a poverty perspective.*

The country strategy will focus on the environmental and natural resource related areas prioritised by the Philippine Government and which correspond to the Swedish competency profile. Priority should be given to a selection of the following areas: air

pollution, water pollution, the use of natural resources, the depletion of biological diversity and waste management. An important criterion in selection is conformity with the local Agenda 21.

As has been recommended in the results analysis, a suitable balance should be sought in the contract-financed technical co-operation between support to central administration and support to poor provinces, local authorities and other public stakeholders at local level. Increased priority should therefore be given to co-operation with local partners, that is those outside the Metro-Manila area.

The most appropriate forms of co-operation are primarily contract-financed technical co-operation and credits/guarantees. The Swedish resource base should be expanded to allow for change and renewal in the co-operation. There should be a more active approach to contract-financed technical co-operation, planning, and follow-up from Sida and, resources permitting, the embassy.

The positive experience of co-ordinated contract-financed technical co-operation and credits/guarantees should be put to effect in future co-operation and it is desirable, therefore, that methods be further developed.

*To contribute to the strengthening of democratic governance and the civil society*

Swedish NGO's, in co-operation with their Philippine partners, have afforded increased priority to upholding human rights and the democratic system. This development is positive. Sweden has a special interest in supporting Philippine efforts to combat trafficking and violations against women and children. It should be possible for Swedish NGO's to play a role in the work of combating the problems and minimising their effects.

In addition, contract-financed technical co-operation can be used to strengthen institution at both central and local levels. Direct support in the area is not anticipated.

Sweden should continue to monitor developments with respect to the peace process on Mindanao. If the peace process prepares the way for new foreign support, the question should arise of whether Sweden can provide support in the form of individual poverty and conflict measures. These should be part of internationally co-ordinated efforts.

The current planning level of SEK 25 million per annum, not including any credits and support via Swedish NGO's, is expected to continue to apply during the period covered by the strategy.

## **6. Administrative resources**

The administrative resources required to implement the strategy should remain at the same level as in the first strategy period. This is made possible by focusing on two primary goals within the framework of a limited selection of co-operation forms.

The administration of contract-financed technical co-operation is expected to require a third of a full-time Sida post. The implementation of contract-financed technical co-operation requires the short-term stationing of Sida personnel at the embassy in order to support the preparation and implementation of the projects.

Sida has the resources to deal with credit proposals.

It is difficult to assess the full extent of all the development co-operation, but approximately one full-time Sida post is expected to be needed. Despite the fact that the embassy in Manila is operating with reduced resources following the withdrawal of an administrative post in the autumn of 2001, it should still be possible to create the necessary capacity for the implementation of the strategy through a redistribution of duties and rationalisation.





REGERINGSKANSLIET

**Ministry for Foreign Affairs**

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Cover: Editorial Office, The Ministry for Foreign Affairs

Printed by XBS Grafisk service, 2001

Article no: UD 02.016