Mindanao Working Group Acts To Reach Consensus

The Mindanao Working Group (MWG) discussed during its first meeting in March the development agenda for Mindanao, particularly on arriving at a consensus among the donors and the Philippine government on key issues such as lasting peace and poverty-reducing development in the region.

The Group is chaired by the Philippine government, represented by Presidential Assistant for Mindanao Jesus Dureza, and co-chaired by the World Bank, represented by WB Country Director Robert Vance Pulley.

The MWG serves as a forum for coordination and collaboration on donor-assisted development efforts in Mindanao. It facilitates an exchange of information between donors and the Philippine government on security and other concerns related to official development assistance (ODA). It was formed as a result of the request of President Gloria Macapagal-Arroyo in November 2001 to the World Bank to take the lead in coordinating the donors’ peace and reconstruction efforts in Mindanao.

The meeting was attended by key cabinet officials and 22 donor countries and donor organizations, as well as representatives from regional development councils, line agencies, local government units, business community, and non-government organizations in Mindanao.

Among the government officials were Senior Consultant on Mindanao Paul Dominguez, Social Welfare and Development Secretary Dinky Soliman, Socio-Economic Planning Secretary Romulo Neri, Finance Undersecretary Juanita D. Amatong, Presidential Adviser on the Peace Process Eduardo Ermita, National Anti-Poverty Commission Chairperson Teresita Quintos Deles, and Autonomous Region of Muslim Mindanao (ARMM) Gov. Parouk Hussin.

Valued Partnership

Mr. Pulley commended the government for holding the meeting, “which speaks highly of the value placed by the government on our partnerships in pursuing peace and development in Mindanao.” He said that the timing of the Group’s meeting was very opportune because it came when numerous developments at both the global and local levels are taking place that impact on the peace, reconstruction and development work in Mindanao.

Mr. Pulley said that at the global level, there is a heightened state of security resulting from ongoing actions worldwide against terrorism and at the country level, the continuing conflict in Mindanao.

Elusive Peace

The Philippine government and donors have earlier pointed to uncertain peace situation in Mindanao as a major constraint in planning, implementing and deriving results from development activities in the area.

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Donors Support Government Economic Program

The donor community supports the Philippine government’s economic development program in 2003, which will be driven by fiscal discipline, market and structural reforms, and good governance.

The donors to the country’s Official Development Assistance (ODA) - the World Bank, the Asian Development Bank, and other development institutions – help the government finance its program that aims to accelerate economic growth and reduce poverty.

In a meeting early this year, the donors and government economic managers agreed to pursue the country’s development priorities for 2003, such as the implementation of the Procurement Law and the Special Purpose Vehicle Act and the strengthening of the Anti-Money Laundering Act.

Moreover, they emphasized the importance of carrying out revenue-enhancement measures and providing sufficient budget for foreign-assisted projects (FAPs) under ODA.

“Fiscal management, particularly revenue enhancement, continue to be the major economic challenge to the government, and there is a broad donor support for the government to address this challenge,” said WB Country Director Robert Vance Pulley, who spoke on behalf of the donor community.

Economy ‘Back on Track’

Finance Secretary Jose Isidro Camacho said the Philippine economy is back on a growth and solid economic footing considering that the fiscal program was under severe pressure last year. “The measures we instituted mid-year have put our fiscal program back on track,” he said.

The measures included going after delinquent VAT tax payers and delinquent large taxpayers from banks and insurance companies, continued fight against smuggling of basic goods like rice, meat and vegetables, and filing of 26 criminal cases and 34 administrative cases against violators.

Last year, the government’s budget deficit totaled P212.7 billion or 5.3% of gross domestic product (GDP), which was much worse than the original target of P130 billion or 3.1% of GDP. However, national government expenditure had stabilized through February 2003, helping to lower deficit to P31.5 billion, down 12.25% from P35.9 billion as of February 2002.

The donors have also commended the government for recent improvements in the implementation of the country’s ODA. However, they have reiterated the need for continued budget support for foreign-assisted projects (FAPs) this year.

The implementation of World Bank-financed projects has improved, for instance. During the second half of 2002 (July to December) the disbursements of Bank-assisted projects totaled US$101 million, up by 66% from only US$61 million in the same period last year.

“Without sufficient budget cover for FAPs, the recent acceleration in the pace of ODA absorption would be seriously threatened and could adversely affect poverty reduction programs, which is the overall ODA project program supports,” Mr. Pulley explained.

Budget Secretary Emilia Boncodin said the Department of Budget and Management has proposed a higher budget for FAPs for 2003 compared to last year’s. Further, she said measures are underway to improve the implementation of ODA such as improvements in the operation of project management offices, as well as in compensation and consultancy fees, FAPs database, user guide and client training.

Socio-Economic Planning Secretary Romulo Neri said the government will fast track the passage of key bills, including those that will enhance efforts to reduce the budget deficit, and measures that support agriculture and small and medium enterprises.

He said within 18 months, the government will push for policies that will boost investors’ confidence in the economy and implement microeconomic reforms such as jumpstarting housing and building infrastructure.
Faster Implementation of WB-Assisted Projects Cited

The implementation of World Bank-assisted projects has improved, according to a report on the total disbursements of Bank-assisted projects from July 2002 to April 2003.

Gross disbursements of Bank-assisted projects reached US$172 million from July 2002 to April 2003, up by 54% from only US$112 million during the same period last year.

Further, the disbursement ratio rose by 60%, from 12.3% last year to 19.7% this year.

A disbursement ratio of 19.7% means that at this pace, the possible annual ratio by end-June 2003 would be at least 22%. Last year’s disbursement ratio was only 15%, implying a project implementation period of 6.7 years.

The five projects which had the highest disbursements from July 2002 to April 2003 were Rural Finance III, Social Expenditure Management Project I, Transmission Grid Reinforcement Project, National Roads Improvement and Management Project, and Third Elementary Education Project. These projects promote investments in human resources and infrastructure, a priority in the government’s anti-poverty agenda.

WB Country Director Robert Vance Pulley said he was very pleased with the progress of the government in implementing most Bank-financed projects. He attributed the improvement to the timely intervention of government oversight and implementing agencies and adequate provision of counterpart funds.

**Early Benefits**

“With this turnaround, the real winners are the beneficiaries of the projects, mostly the poor, because the faster the implementation, the faster the delivery of benefits and services to them,” he said.

However, Mr. Pulley stressed the need to sustain this improvement. “To maintain this pace, the challenge is to sustain timely and adequate provision of counterpart funds amid the government’s tight budget situation,” he said.

The improved disbursement ratio would mean that the Philippines would reach the same level of disbursement it had prior to 1999 and would shorten the average project implementation period to the targeted five years.

Among 10 client countries in East Asia, the Philippines rose from the bottom slot that it shared with Malaysia in implementation pace in June 2001 to sixth place in April 2003, ahead of Indonesia and Vietnam, and just slightly behind China.
 JOSE ERIC “JORIC” MAGLANQUE
Knowledge Management Officer

“Being able to accomplish your job means having an impact on people’s lives. At the end of a full day, I go home happy and contented for helping pursue a noble cause.”

Joric joined the World Bank in December 2002 as Knowledge Management Officer. He manages the Bank’s Knowledge Management Program in the Philippines aimed at improving how the Bank and its partners create, share, and apply knowledge to improve operations and development effectiveness.

“I help people learn how to fish, instead of just giving them fish,” he says. “I do not necessarily have to know how to fish; I just need to know who does and share what he knows with those who need to know.”

Before joining the Bank, Joric spent six years in the private sector as a manager for global knowledge management of Accenture, formerly Andersen Consulting. He led a team that managed content packaging and knowledge management channels of the global government industry practice of Accenture.

To Joric, working for the Bank is both challenging and rewarding. “I am challenged by the many dimensions of knowledge management applied in development; the multiple objectives that need to be met; the various activities that need to be coordinated and in sync with many internal and external initiatives; and the many areas for professional growth and program improvement.”

He adds: “Being able to accomplish your job means having an impact on people’s lives. At the end of a full day, I go home happy and contented for helping pursue a noble cause.”

After office hours, Joric prefers to be with his family at home. “I rush home to play with my daughters, who are nine years old and one year old (and another due next month). That’s really when I’m happiest,” he says.

He also likes playing basketball and chess, and reading non-fiction (except if it’s Tolkien). “I also play in a blues band – The Soul Benders – doing occasional concerts and gigs. I also play and sing solo acoustic blues in clubs, concerts, and radio,” he adds. “Am I that good? Well, I didn’t quit my day job, did I?”

Joric obtained his Bachelor of Arts degree in Organizational Communication from UP Manila and his Masters in Public Administration from UP Diliman.

FLORENCE “POYEN” TIENZO
Human Development Specialist

“My own motivation in work is knowing that this would contribute to the improvement of the health care delivery system and subsequent health care of the family. You may say I am more of a health advocate rather than a clinician.”

She prefers to be called Poyen, a Human Development Specialist who joined the Bank on January 2, 2003. She helps develop and manage three health-related human development projects: Early Childhood Development, the Second Women’s Health and Safe Motherhood Project, and the Health Sector Reform Project.

A Doctor of Medicine, Poyen said her educational background provides her the technical know-how, along with knowledge of the prevailing culture of the medical field. However, she shied away from the four walls of the hospital and instead went to the countryside as a community-based medical practitioner.

She became involved with grassroots organizations, NGOs, and local government units, giving her the opportunity to work with people from all walks of life and understand the realities in the field.

Before joining the Bank, she worked with various non-government organizations for 10 years, specifically in such fields as program management, training, and research. Most of the projects she handled involved child survival and reproductive health issues.

Poyen says she finds her work in the Bank “exciting.” “First, the idea of assisting projects that would have a major impact on the health service delivery system makes
it most meaningful. Second, I find my job as an integration of my experience and my educational background. But I know there is so much more I could learn through the projects that I am assisting,” she relates. “And third, the challenging part for me is to shift my role from being a direct implementor to a more supportive role.”

Furthermore, Poyen says she appreciates the culture that exists in the Bank, wherein a work-life balance orientation is pursued. “I noticed how the various interaction venues—gym, birthday celebrations—give us a “pause” in our work and allow us to interact and enjoy each other’s company. I am also lucky to have a great team, wherein all of the members have served as my ‘mentor’ during the past months.” Poyen enjoys the “pause” her gym workout provides. “I always want to keep fit as much as I can.” On her spare time, she says she enjoys listening to music, going for a swim, enjoying nature’s wonders, or just being with family and friends.

MA. LUISA “MALOU” BADUA
Disbursement Analyst

“After a day’s work, I find fulfillment whenever I think that I have contributed my little share to the development of our country. Whatever I have done ends up with the beneficiaries receiving the funds needed to implement the projects.”

Malou joined the Bank on December 9, 2002 as a Disbursement Analyst. Her job requires her to ensure the financial accountability of borrowers, specifically that loan proceeds are used for the purposes intended and eligible in accordance with Bank’s policies and procedures.

She says at present, she’s doing just one aspect of her job. “After our on-the-job training in July, I am sure that our work will be much more challenging and I’m looking forward to it.”

To Malou, working for the Bank has given her the opportunity to deal with different cultures. “The work environment in the Bank is very dynamic. There is always something new to explore.”

Moreover, after a day of processing applications and attending to the borrower’s inquiries, “I know that I contributed my little share to the development of our country.” She adds: “Whatever I have done ends up with the beneficiaries receiving the funds needed to implement the projects.”

Malou relates that before joining the Bank, she was very busy with her studies (she finished her MBA at De La Salle University) and used her free time to go out with friends and watch the latest movies. “But after finishing my studies last December, I immediately grabbed a good novel.”

She likes listening to good music and travelling. She also enjoys bowling every Thursday with other Bank staff. “It is a good way to learn the sport, unwind and meet other Bank staff in a relaxed atmosphere. Recently, I joined the Bank’s fitness program. It is a good way to maintain a healthy body,” she says.

ERNESTO “ERNIE” DIAZ
Senior Financial Management Specialist

“After working in the private sector for many years, I feel that now is the time to render service to the country.”

Ernie joined the Bank on March 3, 2003 as a Senior Financial Management Specialist. “Part of my job is to ensure that the Bank’s money are used for their intended objectives.”

Before joining the Bank, Ernie, a Certified Public Accountant, provided professional services such as accounting, auditing and management consulting.

Ernie began his career at SGV & Co., where he worked for 17 years and became a senior manager before joining the core group that organized Punongbayan & Araullo/Ernst & Young-Manila, where he eventually became a partner.

He later joined a publicly listed multinational company engaged in banking, financial services, manufacturing, and property development. In this company, Ernie became the first local vice president, group financial controller and treasurer.

Later, Ernie was hired as chief finance officer to represent foreign investors in a local entertainment group of companies that produces local movies, distributes foreign films, distributes and rents video through a national chain of outlets, and produces concerts and sports events.

His last job before joining the Bank was as a managing director of Balanced Scorecard Management, Inc., a management consulting firm that specializes in improving profits through an integrated evaluation of all functional areas that drives profitability.

Ernie finds his job at the Bank fulfilling because of the social relevance and impact of the Bank’s projects. “After working in the private sector for many years, I feel that now is the time to render service to the country.”

After office, Ernie prefers to commune with nature. “I am a lover of nature and pet animals, particularly dogs. I have big and small dogs—a rottweiler and a shih tzu. I enjoy gardening, too.” For physical fitness, he jogs regularly. His new interest: bowling. “I want to go bowling, particularly now that I know that this is a popular sport in the Bank.”
Philippine Gov't Receives US$10.6M For Phaseout of Ozone-Depleting CFCs

The Philippine government recently received a grant of US$10.58 million for the gradual phaseout its consumption of all ozone-depleting chlorofluorocarbons (CFCs) by 2010.

CFCs are non-toxic, non-flammable chemicals containing atoms of carbon, chlorine and fluorine. They are used as solvents and refrigerants in the manufacture of aerosol sprays, blowing agents for foams and packing materials.

The grant for the project—the Philippine National CFC Phaseout Plan—was recently approved by the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP), of which the World Bank is one of the four implementing agencies.

The agreement was signed by Finance Secretary Jose Isidro Camacho and World Bank Country Director Robert Vance Pulley, Environment and Natural Resources Secretary Elisea Gozun and Land Bank of the Philippines President Margarito Teves witnessed the signing.

The project will enable the Philippines to phase out 2,018 ozone-depleting potential tons of CFC consumption when Montreal Protocol CFC phaseout obligations take full force in 2010.

The Montreal Protocol on Substances that Deplete the Ozone Layer was adopted in 1987 as an international treaty to eliminate the production and consumption of ozone-depleting chemicals, with developing countries benefiting from a 10-year grace period.

As an implementing agency, the World Bank aims to help client countries accomplish their ozone protection objectives through strategic planning, policy formulation, and technical support in project identification, preparation, and implementation.

This commitment is secured through a performance-based agreement between the MFMP and the Philippines, which ties annual funding tranches to CFC consumption reduction targets as measured by the achievement of specified activities in both the manufacturing and refrigeration servicing sectors.

The Philippines' Department of Environment and Natural Resources worked in close cooperation with the World Bank and Sweden's Stockholm Environment Institute to engage relevant country stakeholders, including private, government and non-government organizations.

US$1.3M Grant to Help Strengthen Gov't Agencies

The World Bank has approved two grants of US$1.3 million for the strengthening of two government agencies – the Department of Budget and Management (DBM) and the Civil Service Commission (CSC).

The grants will help design and implement key measures to improve the operations of these departments over the next two years.

The DBM will receive a grant of US$1,093,800, which will be used to prepare a project called Public Sector Strengthening, which aims to improve the operations of the public sector.

In particular, the grant will strengthen the management and poverty focus of public expenditures, control the fiscal weight of the wage bill, streamline public administration, enhance the quality of civil service, and improve the department's monitoring and evaluation capacity.

The grant will come from the Japan's Policy and Human Resource Development Grant facility, which is administered by the World Bank.

The grant of US$291,000 from the Bank's Institutional Development Fund will be managed by the Civil Service Commission.

The grant aims to strengthen the government's capacity to control the civil service wage bill and employment and develop policies that will rationalize compensation and employment.

The grants will finance the project preparation activities and requirements, which include consultancy services, stakeholder consultations, equipment and training.
The peace accord signed by the government with the Moro Islamic Liberation Front (MILF) was earlier expected to be a major step towards reaching a peace agreement that would help to unleash the strong innate development potential of Mindanao and its people.

"Until a peaceful state is reached, the job of development will be doubly difficult, and doubly expensive as we help the country and Mindanaoan communities to build and rebuild and the people to evacuate and resettle," Mr. Pulley emphasized.

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WB Consults the Philippines on WDR 2004

A consultation video conference on the draft overview of the World Development Report (WDR) 2004 was held on February 18, 2003 in the AIM-World Bank Global Distance Learning Center at the AIM campus in Makati City.

The Philippines was one of the 14 countries consulted on the WDR 2004, which focuses on the theme: Making Services Work for Poor People. The WDR is an invaluable guide to the economic, social and environmental state of the world today. Each year the WDR provides in-depth analysis of a specific aspect of development.

About 50 persons from the government, academia, civil society, and business sectors participated in the video conference, which was led by the Global Development Learning Network (GDLN) and External Affairs. The sessions were chaired by Shanta Devarajan, head of the WDR 2004 team, and WDR Co-Director Rirva Reinikka.

"The WDR is quite well known in the Philippines and many people look forward to its launch," said Leonora Gonzales, External Relations Officer of WB Office Manila, who facilitated the video conference in the Philippines. "I think the participants found it beneficial as they were able to ask clarifying questions and in some instances, even challenged the thinking behind the WDR."

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She added that the video conference gave participants the opportunity to appreciate that the Bank is a knowledge bank. "That is was a video conference hooked to four other countries made it even more interesting as one also learns from the perspectives of other countries."

In particular, the WDR 2004 will investigate how countries can accelerate progress towards the Millenium Development Goals (MDGs) by making services—health, education, water and sanitation—more accessible to poor people.

Lloyd McKay, lead economist at the WB Office Manila, said success in reaching the MDGs would depend not just on faster economic growth and increased resources on the provision of these services.

"Worldwide, corruption, inadequate monitoring, logjams, and weak incentives are the main reasons that these services often fail to reach people. The report will examine promising new approaches to these problems," he added.

Past reports have considered such topics as the role of the state, transition economies, labor, infrastructure, health, the environment, and poverty. The reports are the Bank's best known contributions to thinking about development.

HIGHLIGHTS OF THE MWG MEETING FROM THE DONORS' PERSPECTIVE

- Donors recognized that peace and development in Mindanao continues to be of high priority to the government and the donors. The Group would be an important mechanism to jointly work towards this objective.
- Donors appreciated the update on the programs that address the needs of evacuees, whose rehabilitation needed urgent attention from the government.
- Donors appreciated the clarifications on the government's policies on peace zones and the peace process and noted the government's policy to pursue peace through negotiations rather than through military actions.
- Security concerns, particularly of project personnel in Mindanao, continues to be an issue, but donors are willing to provide continued assistance to Mindanao despite these security concerns.
- Donors appreciated the clarifications of the government on the institutional issues on ODA for Mindanao, including the roles and status of the Southern Philippines Development Authority and the Bangsamoro Development Agency.
- Donors hoped that the government would look into the absence of an institutional delivery mechanism and provide donors with a mechanism to facilitate the use of ODA assistance.
- Donors expressed concern on the need to build the institutional capacity of the ARMM government. The Philippine government expressed appreciation for the various assistance being given by donors to strengthen the ARMM.
- Donors looked forward to the final design and operationalization of a comprehensive database on ODA programs in Mindanao to help identify possible gaps in ODA assistance to the region.
- On the Mindanao Investment Program, the government expressed reservations on the size of the investment program presented. Donors looked forward to the refinement of the Mindanao Investment Program to be done within a realistic budget.
- Donors noted that there was an ongoing exercise to assess the country's performance against the Millenium Development Goals, and that it would be useful to conduct a similar exercise for Mindanao with donor support.
Uncertainties in the global financial markets may have slowed the momentum of the modest recovery that started in the late 2001 according to a new report, Global Economic Prospects and the Developing Countries 2003: Investing to Unlock Global Opportunities.

The report predicts that a sluggish global economic outlook, along with slower than anticipated growth in the next 12 to 18 months, will undermine progress in reducing poverty in developing countries. It details what actions need to be taken by rich countries and developing countries to increase growth rates and accelerate poverty reduction in developing countries.

Productivity increases and effective investment are fundamental conditions for poverty reduction and rapid growth. Establishment of these conditions requires improvement of the investment climate - that is, the policy and institutional environment that fosters entrepreneurship and productive investment.

Global Economic Prospects 2003 analyzes both global and national dimensions of investment climate for developing countries. The report:
- Explores the current state of the world economy and how it impacts the access to capital, exports, and growth prospects of developing countries;
- Examines recent changes in the organization of global business, notably the proliferation of multinational companies and associated production networks;
- Argues that sound national policies, particularly to encourage competition, are needed for countries to reap the benefits of globalization;
- Discusses ways in which the international community can help developing countries establish competitive investment environments; and
- Considers the potential for a new World Trade Organization agreement on investment and competition, and concludes that the probable development impacts of any new accords are clearly secondary in importance to progress in reducing trade barriers facing developing countries.

March 2003
250 pages

Since the late 1990s, an essential shift has taken place in the pattern of private sector financial flows to developing countries. Debt flows have fallen sharply, while equity flows, which are mainly foreign direct investments, have remained comparatively robust. The shift from debt to equity ought to diminish the volatility of developing countries’ external finance and improve their access to technology, markets, and management expertise. However, much more needs to be done to put development finance on a stable basis.

The report finds that an actual global business cycle has emerged with the continuing integration of developing countries into global production, trade, and financial flows. Economic conditions in rich countries now tend to be mirrored in developing countries through strengthened trade links, just-in-time logistics, and stronger financial relations with affiliates and suppliers in middle-income countries.

Global Development Finance 2003 is unique in its depth of coverage of the issues related to international development finance. By putting all development-related flows in a consistent framework, the publication will allow government officials, economists, investors, financial consultants, academics, bankers, and the entire development community to better understand, manage, and promote the key challenges of financing development.

It also contains the World Bank’s projections of the global outlook in view of the current global geopolitical uncertainties.