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Donors Pledge US\$2.8 Billion in Development Aid for RP

Increase ODA Use to Help Reduce Poverty and Improve Governance

Major donors to the Philippines have pledged US\$2.8 billion in total development assistance—\$2.2 billion in official development assistance (ODA) and \$418 million in grants.

Planned support from World Bank for 2002 is US\$540 million--\$533 million in loans and \$7 million in grants largely mobilized from bilateral sources.

"This is the response of development

partners of the Philippine government's resource requirements and its deliberate efforts to exercise prudence on new borrowings while renewing its efforts to improve ODA utilization," said World Bank Country Director Robert Vance Pulley.

Mr. Pulley, co-chairman of the 24th Consultative Group (CG) Meeting for the Philippines held last March 11-12, 2002 in Clark Field, Pampanga, said the Philippines "is rightly proud of what has

been accomplished in spite of difficult circumstances in 2001."

He noted that despite the slowdown in the global economy, the country managed to post a gross domestic product of 3.4%, one of the highest in the region. He added that the government also met its budget deficit target, contained inflation and stabilized the peso, and focused on improving governance and structural reforms such as power sector restructuring.

"With a good start, the Philippines is now in a much better position to renew efforts to improve the lives of many more Filipinos, especially the poor," Mr. Pulley said.

During the two-day CG meeting, which had the theme *Winning the War Against Poverty Through Good Governance*, the Philippine government presented recent socio-economic developments, as well as the country's progress and plans for ongoing public sector reforms and improving ODA utilization.

The donors cited the government's focus on poverty reduction and commitment to the Millennium Development Goals and welcomed the briefing on the government's plan to expand comprehensive community-based programs.



Apat na Pamamahala: Tugon sa Kahirap
the War Against Poverty through Good Governance
Holiday Inn Resort Clark Field, Pampanga, Philippines
March 11-12, 2002



Finance Secretary Jose Isidro Camacho, chair of the meeting, discusses the agreements between the government and the donor community, along with (from left) NEDA Director General Dante Canlas, WB Country Director Robert Vance Pulley, and Budget Secretary Emilia Boncodin

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US\$1M Grant for Health Sector Reform Signed

The World Bank and the Philippine government recently signed the US\$1,032,100 grant for the Health Sector Reform Project.

“The grant will help the Philippine government prepare its Health Sector Reform Project, which aims to improve access to health care services and ensure health care financing,” said WB Country Director Robert Vance Pulley.

The Policy and Human Resource Development (PHRD) grant is funded by the Japanese government. It will be implemented by the Department of Health in the second half of 2004.

The signing was witnessed by Finance Secretary Jose Isidro Camacho, Health Secretary Manuel Dayrit, Finance Attaché Hiromichi Sakuma from the Embassy of Japan, and WB Vice President for East Asia and the Pacific Jemal ud-din Kassum.

Improving Social Services for the Poor

Mr. Pulley said the signing of the grant marked an important milestone in the Bank's continuing effort to help enhance human development and social services for the poor in the Philippines.

“We are confident that with the gains of the Department of Health in its internal systems and processes, particularly in the last couple of years, the project would take off well,” he said. “We are prepared to make available the Bank's resources to help consolidate further these institutional gains.”

The Philippine government and the Bank are preparing the Health Sector Reform Project for consideration by the Bank's Board in May 2002.

Mr. Pulley noted that the Department of Health had accomplished much in meeting the basic requirements of the health system, such as improved primary health care, control of preventable diseases, and improvements in child and maternal mortality.



Finance Secretary Jose Isidro Camacho and WB Country Director Robert Vance Pulley shake hands after signing the Policy and Human Resource Development grant for the government's Health Sector Reform Project, which aims to improve access to health care services and ensure health care financing. Looking on are VP Jemal ud-din Kassum and Health Secretary Manuel Dayrit.

However, there are still inequities in terms of access to these services. “There are regional disparities, as well as pockets of populations that continue to suffer from poor access to basic health services,” he said.

He cited that child and maternal mortality had improved over time, but these improvements had leveled off and would have to be accelerated to meet development targets outlined in the government's Medium Term Development Plan.

Health Sector Reform Agenda

Part of the Medium Term Development Plan is the Health Sector Reform Agenda, which has five components—social health insurance, hospital management reforms, local health systems reforms, regulation of the drug sector, and public health programs.

“The agenda will help the poor get good quality health care and drugs at the time they need them, without suffering the catastrophic economic effects that sudden illness can often cause to poor families,” Mr. Pulley said.

Moreover, he said the Bank's efforts in helping the Philippines and other countries

improve health services stem from its commitment to the achievement of the Millennium Development Goals (MDG).

MDG calls for halving the proportion of people who live on less than \$1 a day, and substantially improving health and education in developing countries by 2015. Among the goals in health are reducing child mortality and improving maternal health.

“We are pleased to see that these goals, which are imbedded in the Bank's Country Assistance Strategy, now on its final stages of preparation, are circumscribed by the very goals that are sought to be achieved by the Health Sector Reform Project,” Mr. Pulley said.

He added: “For our part we commit not only the Bank's financial resources but also, and more importantly, I would like to think, the knowledge base we have generated from our experience.”



WB VP Visits Community Projects

During his recent visit to the Philippines, Jemal ud-din Kassum, World Bank Vice President for East Asia and the Pacific, visited several community projects and met development frontliners in Metro Manila and Laguna. He also met with representatives from government, business, and civil society.

Mr. Kassum visited Morning Breeze Homes in Barangay Alabang, Muntinlupa, one of the communities that have benefited from a government program called the Comprehensive and Integrated Delivery of Social Services (CIDSS), which is supported by the Bank through the Social Expenditure Management Project.

The CIDSS has helped the residents of Morning Breeze design and implement various projects and has empowered them to become self-reliant and productive. Through the CIDSS, the residents have installed motorized deep wells, improved roads and street lighting, provided more supplies for the day care center, and established a community-managed rice and commodity store.

Mr. Kassum also went to Magdalena, Laguna, where a P26.7-million water



VP Jemal ud-din Kassum and Social Welfare and Development Secretary Juliana Soliman visit a day care center in Morning Breeze, Barangay Alabang in Muntinlupa, one of the communities covered by the Comprehensive and Integrated Delivery of Social Services (CIDSS)

supply system was completed in June 2001 through the Bank-assisted Local Government Unit Urban Water and Sanitation Development Project.

About 2,000 households—more than half of the total 3,772—in Magdalena are connected to the new water supply system. The municipality has a population of 18,762. Its people live mainly on agriculture and agri-based industries like piggeries, poultry farms, and orchidariums.

The LGU Urban and Sanitation

Development Project is an Adaptable Program Loan project in the Philippines, which is estimated to cost \$430 million in 10 years. It aims to help water utilities improve operational efficiency and accountability to consumers and encourage private sector participation in the sector.

Mr. Kassum also congratulated President Gloria Macapagal Arroyo and her team of economic managers for the country's economic accomplishments in spite of last year's difficult circumstances "The government managed to lessen macroeconomic concerns by meeting its budget deficit target, containing inflation, falling interest rates, and overseeing a return to relative stability of the peso," he said.

In his meetings, the discussions centered on five priority areas—public resource mobilization, sustained poverty reduction, governance, peace and development in Mindanao, and ODA implementation and commitments



VP Jemal ud-din Kassum meeting with community residents and officers

NGO Signs Grant Agreement With Gov't, WB for Microfinance Project

Poor families in urban and rural communities in selected provinces in Mindanao will soon have access to credit to finance their livelihood projects.

A grant agreement of \$808,460 for a project that aims to improve microfinance access in Mindanao was signed in February 2002 by the Philippine government, the World Bank, and the Advocates of Cotabato Rural Development, Inc. (ACORD)

The project will cover six municipalities in Cotabato, Sultan Kudarat and Maguindanao—three of the five provinces involved in the implementation of the Bank-supported Mindanao Rural Development Project. The areas covered include Antipas, Arakan, President Roxas and Tulunan in Cotabato; President Quirino in Sultan Kudarat; and SK Pendatun in Maguindanao.

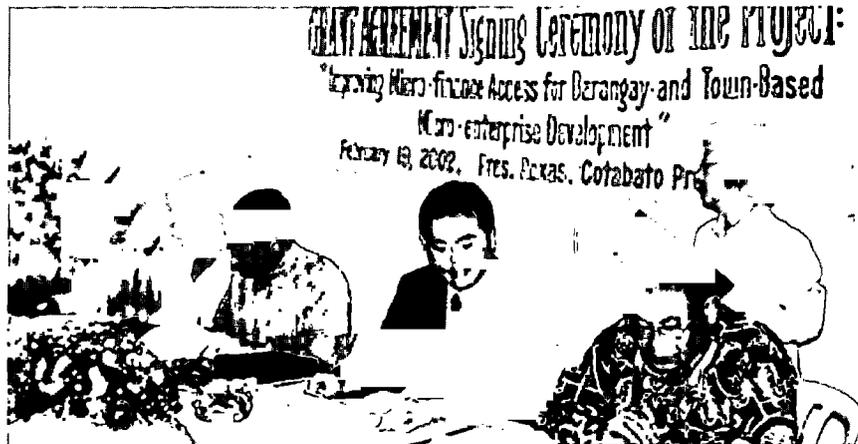
ACORD, which will implement the project, is a non-government organization (NGO) based in Kidapawan City, Cotabato. The project—Improving Microfinance Access for Barangay and Town-based Microenterprise Development—will help the poor in selected rural and urban areas to start, enhance and sustain their microenterprises through improved access to microfinance services and facilities.

The agreement was signed by Finance Undersecretary Juanita Amatong, WB Country Director Robert Vance Pulley, and ACORD President and Executive Director Rodilo Lebrano at the municipality of President Roxas, one the project's targeted areas of operation.

The signing was witnessed by Finance Attaché Hiromichi Sakuma from the Embassy of Japan, Department of Agriculture Director Mustapha Ismael, Cotabato Governor Emmanuel Pinol, as well as by other local chief executives and local communities.

Private Sector Takes the Lead

The government and the Bank commended the partnership made possible through the



Representatives from the Philippine government, the World Bank, and the Advocates of Cotabato Rural Development, Inc. (ACORD) signing the grant for a project that would help improve access of poor families in Mindanao to micro-enterprise credit

grant. "We would like this undertaking to succeed because we see the non-government and private sector taking the lead in financing sustainable community projects," said Department of Agriculture Director Ismael

WB Country Director Robert Vance Pulley said: "We have just seen today a great example of partnership at the ground level where we have an NGO soon to deliver a much-needed service to the poor, in close cooperation with local government executives "

He added: "On the donor side, we are quite happy with our partnership with the Japanese Government through the Japan Social Development Fund (JSDF) which provides the much needed resources."

The grant comes from the Japanese Government through the JSDF, which the Bank administers. JSDF is a grant facility that addresses the poverty and social consequences of the recent economic and financial crises. The Philippines had been a recipient of JSDF grants since fiscal year 2001 (July 2000- June 2001). Total grants to the Philippines, including the recent \$808,406 grant, amounted to US\$5million.

Mr. Pulley emphasized that the project was a response to one of the expressed needs of poor families in Mindanao. "The need for greater access to microfinance was one of the major findings of a social assessment conducted by the Bank at the height of the Asian crisis. This will help us improve our efforts in helping the government reduce poverty in specific areas as we target women, Muslims and indigenous peoples," he explained.

Through the project, a revolving loan fund will be established and extended to microentrepreneurs who plan to start new businesses or augment their business capital

"With this project, we would like to see microenterprises become the engines of local economic growth," said Mr. Lebrano of ACORD.

Furthermore, Microfinance Development Assistance Centers and Barangay Rural Enterprise and Agricultural Development Centers will be organized in specific municipalities and barangays. These centers, which aim to build the capacity of microentrepreneurs, will provide technical advice and serve as information exchange centers.



5 Things I Learned About Microfinance

By Robert Vance Pulley



1. Listen to the voices of the poor when designing programs for the poor. They know what they need. We should not guess or think we know better.
2. Big banks will not provide micro-finance to poor people, whose accounts are too small. The poor need support as well as money. Further, they don't have clear titles or other collateral to support them. We can work to make the formal banking system more responsive to the needs of the poor, but we should not wait for them.
3. What is more important to the poor is access to credit. Providing them credit is sustainable. The poor are more than willing to pay market rates because many are currently paying more than market rates for the micro-credit they access.
4. Poor people can be a good credit risk, particularly if they are provided relatively small amounts, combined with efficient delivery collection and some technical advice.
5. Returns to micro-credit can be very high and can lift families out of poverty. Increase in income derived from micro-enterprise activities can mean the difference between a family affording to send their children to school or keep them at home to work.

Mr. Pulley had spent several years with an NGO that worked on agricultural credit programs in Asia. He also worked as a volunteer in a project that provided micro-finance for agriculture in a conflict-affected community in Central America.

Cotabato Residents Earn More From Their Crops, Enjoy Clean Drinking Water



The warehouse in Barangay Amas in Kidapawan City

Farmers in Barangay Amas in Kidapawan City, Cotabato have begun reaping the grains of their labor. They can now command good prices for their crops like rice and corn. Thanks to a solar drier, which helps keep their crops' moisture low enough to fetch higher prices from traders.

Managed by an association of 139 farmers through a grant from the government's Special Zone of Peace and Development (SZOPAD) Social Fund, the warehouse and solar drier were built in April 2000 for P1.04 million.

The SZOPAD Social Fund aims to deliver basic socio-economic infrastructure, services and employment opportunities to conflict-affected areas in Mindanao. It covers 14 cities and 15 provinces. The Bank had extended \$10 million to the Fund from 1998 to 2001.

Good Prices for Crops

The warehouse, meanwhile, ensures a long shelf life for the surplus harvests. For the farmers of Barangay Amas, proper storage is critical when cereal supply is high and prices are low as they wait until the off-season for buying prices to get better.

Situated along the national highway, 10 kilometers west of the commercial center of Kidapawan City and 106 kilometers west of Davao City, Barangay Amas is home to 4,351 persons or 828 families. Majority, about 80%, are descendants of migrant Christian settlers from Luzon (Ilokanos) and Visayas (Ilongos, Cebuanos and Boholanos).

The rest are ethnic Muslims like the Manguindanaos and non-Muslim indigenous communities like the Manobos.

Clean Drinking Water

Today, hope springs from a well in Barangay New Balatukan, which has a population of 1,760. The 220 families in the village now enjoy clean drinking water, as well as an unlimited supply of water from a reservoir, which was built through a grant of P300,000 from the SZOPAD Social Fund.

The residents, who fled from their homes uphill where they were caught in the crossfire between government and rebels troops in the 1980s, used to fetch water from rivers, creeks and wells very far from their homes. They resettled downhill, on a strip of flat terrain along the national highway, about 32 kilometers from Kidapawan City.

The water system of Barangay New Balatukan is managed and operated by an association of 124 households, which each pay P5 a month. The members of the association have undergone training on water system operation and maintenance through the International Training Network, a non-government organization engaged by the SZOPAD Social Fund. They are also taught the value of keeping the environment clean and protecting the watershed to secure the water reservoir.

The association plans to install more faucets to extend the benefit of steady water supply to more households and build another reservoir.



Pilot Section of Marikina Bikeways Inaugurated

The pilot section of the Marikina Bikeways Network was inaugurated on February 8, 2002, two months after a World Bank loan and a grant from the Global Environment Facility (GEF) for the project were approved by the Bank's Board of Executive Directors.

WB Country Director Robert Vance Pulley commended the city government of Marikina for implementing the project on time and within budget. "This is just the beginning. We look forward to the expansion of the network so we can ride throughout Marikina," he told city government officials led by Mayor Ma. Lourdes Fernando during the inauguration of the project's pilot section.

The Marikina Bikeways Network is part of the Metro Manila Urban Transport Integration Project (MMURTRIP), which is supported by a World Bank loan of US\$60 million and US\$1.3 million equivalent grant from the GEF.

MMURTRIP aims to enhance the economic productivity and quality of life of Metro Manila residents by improving the efficiency and safety of the transport system. In particular, it promotes the use of bicycle transport in Marikina as an alternative to greenhouse gas-emitting motorized transport.

MMURTRIP is being implemented by the Department of Public Works and Highways in coordination with the Metropolitan Manila Development Authority and Marikina City.

Masterplan Bike Network

The city government of Marikina has developed a Masterplan Bicycle Network with technical advice from the University of the Philippines National Center for Transportation Studies.

Mr. Pulley said the commitment of Marikina to environmental improvement of the city and their enthusiasm for bicycle transport as an important transport mode has made Marikina the ideal recipient of the GEF grant.

"The Bank, as one of the executors of the GEF, is very happy to support this particular project, and if its success can be shown, this could inspire the use of bikeways in other areas of Metro Manila," he said.

GEF provides grant and concessional funds to countries for projects that aim to protect the global environment. It addresses critical threats to the environment like loss of biodiversity, climate change, degradation of international waters, and ozone depletion.

Metro Manila, in particular Marikina, will join other cities in the world in their efforts to encourage the use of bicycles. Bike networks are being implemented in London, Paris and many other European cities.

"Being a cyclist myself, I look forward to this happening in the Philippines in the near future. Not only are we going to have a daily healthy exercise, we will also help ease the traffic situation and make our air cleaner," said Mr. Pulley.



BIKE FOR CLEANER AIR Mayor Mardel Fernando and "cyclist" Van Pulley get ready for a great ride in the bikeway with Marikina residents



Donors Pledge US\$2.8 Billion in Development Aid for RP

Furthermore, the donors thanked President Gloria Macapagal Arroyo, who attended the first day of the meeting, "for the value she has placed in the partnership with the ODA community." They also commended the Philippine government for its pro-active leadership in coordinating the ODA through Finance Secretary Jose Isidro Camacho, who chaired the meeting, and NEDA Director General Dante Canlas.

A regular meeting of major donors to the Philippines, the CG meeting serves as forum for policy dialogue between the government and the ODA community and provides a mechanism for mobilizing ODA to support the country's public investment program

The last CG meeting for the Philippines was held on June 19-20, 2000 in Tagaytay City, when the donor community pledged \$2.6 billion in total development assistance.

Private Sector-Led Growth

"We acknowledged the government's economic management, which was instrumental in maintaining reasonable economic growth over the previous year, but we stressed the need to accelerate private sector-led growth and translate it into sustained poverty reduction," Mr. Pulley said on behalf of the donor community.

As the ODA partners endorsed the government's strategic directions, they

also agreed with the government on a package of measures to improve ODA utilization, speed up private sector-led growth, and help reduce poverty.

- Raise government revenues and manage fiscal risk to ensure sustained resources for strategic poverty-reducing public expenditures in education, health, rural infrastructure, and agricultural modernization
- Continue public sector reforms such as procurement, accounting, auditing and financial management to improve governance and efficient resource use.
- Improve and streamline the review process for ODA requests.
- Improve ODA absorption capacity to increase the timeliness of development impact on the ground, as well as the capacity of local government units in the delivery of services and their access to and effective use of ODA resources
- Improve banking sector performance by implementing measures that will reduce non-performing loans and strengthening the regulatory powers to intervene in distressed banks.
- Boost investor confidence and strengthen



President Gloria Macapagal Arroyo speaks before the donor community at the opening of the Consultative Group Meeting, which had the theme *Winning the War Against Poverty through Good Governance*

private-sector led development to create employment opportunities by implementing key structural and regulatory reforms, deepening capital markets, and strengthening competition.

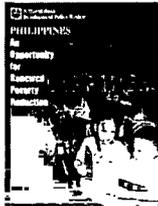
- Improve peace in Mindanao and address security concerns as these are the critical foundations for enhancing the investment climate and reducing poverty.
- Continue the focus on rural development, agriculture, natural resource management, and environmental protection.
- Empower the poor through sustained human resource investments in health and education and improved access to assets like land and credit.
- Increase attention to stakeholders' consultation, monitoring and review of the effectiveness of government expenditures, especially the delivery of services, from the perspective of the poor.

The 24th CG Meeting was chaired by the Philippine government and co-chaired by the World Bank. It was attended by delegations from Australia, Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, United Kingdom, and the United States of America.



Representatives from multilateral financial institutions stress their support to the socio-economic development program of the Philippines. The World Bank was represented by Christian Rey (3rd from right), Manager, Operations and Country Services, and Lloyd McKay, Lead Economist (4th from right)





**Philippines Development Policy Review
An Opportunity for Renewed Poverty
Reduction**

*Poverty Reduction and Economic Management Sector Unit
East Asia and the Pacific Regional Office
February 2002
69 pages*

The Philippines can sustain increased growth and rapidly reduce poverty this year until 2005 if the government acts promptly on priority issues in five critical areas—fiscal management, governance and public sector performance, private sector development, financial sector reforms, and empowerment of the poor, according to the Bank's Development Policy Review on the Philippines.

The report, prepared by a team led by economist Lloyd McKay, notes that the external environment for the Philippines is expected to improve as global recovery takes hold from the second half of 2002.

The growth targets of over 5% per year as indicated in the government's Medium Term Philippine Development Plan is attainable, but only if the key building blocks for sustained growth—an environment conducive to increased investment and productivity within both private and public sectors—are firmly in place.

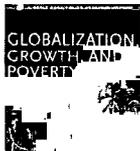
"Stronger growth must be complemented by increased participation

in development by the poor to attain the desired rapid reduction in poverty. Anything less would result in further disappointment," the report points out, emphasizing that an average growth of over 5% yearly is feasible and would significantly reduce poverty.

"The Bank's projections based on household survey data indicate that such growth would reduce poverty from 26% of the 2000 population to 18% by 2005, a decline of about 5 million in the number of poor people. If combined with complementary programs to improve equity—effective human resource investments and actions to improve access by the poor to productive assets and markets—poverty would be reduced even more rapidly. In contrast, an average growth of only 3% per year would mean only modest poverty reduction," the report adds.

The report cites the priority actions in five critical areas for renewed growth and poverty reduction:

- Strengthen fiscal management
- Improve governance and public sector performance
- Strengthen private sector development
- Deepen the financial sector
- Protect and empower the poor



**Globalization, Growth, and Poverty
Building an Inclusive World Economy**

*By David Dollar, Paul Collier
December 2001
188 pages*

Globalization is already a powerful force for poverty reduction as societies and economies around the world are becoming more integrated. Although this international integration presents considerable opportunities for developing countries, it also contains significant risks. Associated with international integration are concerns about increasing inequality, shifting power, and cultural uniformity.

Globalization, Growth, and Poverty focuses on globalization in terms of growing economic integration resulting from the increased flow of goods and services, people, capital, and information. The report is primarily concerned with the effect that this growing integration has on economic growth and poverty reduction. It assesses the impact of globalization and addresses the ensuing anxieties.

By focusing on specific policy recommendations, this report proposes an agenda for action aimed at minimizing the risks that globalization potentially generates, while maximizing the opportunities for the poor. A co-publication of the World Bank and Oxford University Press.



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