Donors Pledge US$4.5B in New Financial Assistance

At the close of the 22nd meeting of the Donor's Consultative Group for the Philippines in Tokyo last March 25, the international donor community gave its vote of confidence to the country's development agenda with pledges of new financial assistance amounting to US$4.5 billion for 1999. This infusion of fresh funds will support initiatives in three broad fronts—structural reforms, economic recovery and poverty alleviation.

The Consultative Group Meeting is a regular meeting of major donors to the Philippines chaired by the World Bank. It serves as a forum for policy dialogue between the government and the donor community and provides a mechanism for mobilizing official development assistance to support the public investment program.

The gathering in Tokyo was the first donors' consultative group meeting under the Estrada administration. The commitments were US$1 billion more than those made at the previous CG meeting in 1997. These will help the government’s efforts to pump prime the economy and carry out programs for poverty alleviation and structural reforms.

Of the US$4.5 billion total committed assistance this year, multilateral institutions accounted for US$1.04 billion, and the balance of US$3.48 came from bilateral donors. Japan pledged the largest amount of financial assistance at US$3.1 billion.

President Estrada thanked the Government of Japan for sponsoring the CG meeting in Tokyo, through a statement read by Foreign Secretary Domingo Siazon, Jr.

The president also expressed his “heartfelt gratitude to the donor community for its continued support for our aspirations in the Philippines to bring sustained economic progress and overall human development to our people.”

The Philippines has weathered the regional financial crisis better than most market economies in East Asia. The Filipino delegates to the donors’ meeting presented the key factors that spared the country from the adverse aftershocks of the crisis. They
Meeting the Challenges of Economic Recovery

The Philippine economy presents a case of the milder impact of the East Asian crisis, yet the medium-term prospects of the country will be influenced by a lot of uncertainties. Its pace of recovery will hinge significantly on two key factors: the extent to which financial stress is relieved and the amount and type of private capital that flows into the system.

**The Philippines: The Challenge of Economic Recovery**, a World Bank report presented during the CG meeting in Tokyo, affirms that the way out of the crisis will not be a fun ride. Easing the stress in the corporate and banking sectors and attracting quality investments entail an intricate framework of priorities, reforms and interventions. To meet these twin goals, the report suggests an agenda for sustainable economic recovery.

**Corporate and Banking Restructuring**
Philippine industry may have withstood the regional crisis, but the number of distressed companies and the severity of financial stress have risen sharply. The World Bank report finds that the existing system for resolving stress, in the form of corporate insolvency, for instance, needs a major overhaul. At the very least SEC’s handling of distressed corporate debt has to be strengthened.

In the banking sector, current prudent and incentive schemes will have to be realigned towards international best practice. The crisis has also exposed the risk in over-reliance on foreign financing resources. Developing capital markets and promoting long-term domestic savings are two overdue responses.

**Export Competitiveness**
Trends show that the country has a strong base for future export growth. However, the study notes the instability inherent in relying heavily on a single product such as electronics. It prescribes diversification without losing the built-in advantages in other export-oriented industries.

**Environmental Safeguards**
Translating well-meaning intent into actual achievements is the primary challenge of the country’s environmental protection program. It demands a concerted effort where responsibilities must trickle down from legislative action to individual compliance. Particular attention should be given to the energy, transport and health sectors.

**Improved Governance**
A reform agenda generally calls attention to the need for better governance in public institutions. Examples include even-handed implementation of tax laws, more effective programs for the poor, and improved enforcement of environmental regulations. The Estrada administration has already listed eradicating graft and corruption among its top priorities. This sense of purpose will be bolstered by corrective measures aimed at problems already identified, strategic agenda for reforms in public institutions and a set of benchmarks for monitoring progress. Competent public service will be an essential element in this effort.

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**Donors Pledge...**
pointed out that the financial sector remained sound. Exports grew, surpassing the growth in neighboring countries. The social safety nets held, keeping the severe social repercussions of a major financial dislocation in check.

Based on such positive economic performance, the Philippine delegation offered an optimistic medium-term outlook for the economy. Among the development priorities identified in the Medium-Term Philippine Development Plan for the period 1999–2004 are agriculture, basic social services, global competitiveness and governance.

Finance Secretary Edgardo Espiritu remarked, “The donors expressed general agreement on the need to address any lasting damage to the productivity and growth of the economy as well as the need to emphasize poverty alleviation and equity concerns…It was also the consensus that the Philippines will be at the forefront of recovery in Asia.”

The donors commended the Philippine government for its stated intent to implement structural reforms in the financial and corporate sectors to boost investor confidence in the country. They also expressed satisfaction over the government’s increased attention to the social sectors and rural development, and in bringing issues of governance at the fore of public policy action.

While the country’s policy directions and growth targets merited positive ratings, the donors took serious note of the need for prompt implementation and funding of relevant undertakings.

Mr. Bhargava, Chairman of the CG meeting, concluded, “[The donors’] gathering has enabled both the donors and the Philippine government to get a clearer indication of the challenges that lie ahead. We agreed that the projected growth targets of the government are within reach provided the implementation of reforms is accelerated, available funding is utilized efficiently and in a timely manner, investor confidence revives and there are no major external shocks.”
PHILIPPINE COUNTRY ASSISTANCE STRATEGY

The Bank Responds

From November to December 1998, consultations with various sectors of Philippine society were conducted in the course of formulating the Bank Group's Country Assistance Strategy (CAS). Feedback from the four workshops, which involved non-government organizations, people's organizations, trade unions, the academe and business groups, were considered in the development of the strategy. On May 4, 1999, the Bank Group's CAS covering July 1999 to June 2002 will be presented to the World Bank's Board of Directors. Below are the major recommendations from the workshop participants and the Bank staff's response to them. There are more recommendations, and all of them are presented in an annex of the CAS.

- Review the impact of trade liberalization on the agricultural sector. The Bank will clarify, in its annual updates, the relevant issues and strategy options, and the need to enhance the government's capacity to respond to these concerns.

- Improve access to credit by the poor in both urban and rural areas. The Bank supports financing for micro-enterprises and has allocated a sizable portion of its Third Rural Finance Loan for this purpose. Several ongoing Bank-financed projects directly meet rural finance requirements and partnership arrangements.

- Provide alternative entrepreneurship financing for farmers and people's groups. Specific Bank-financed projects like the Conservation of Priority Protected Areas Program (CPPAP) and Community-Based Resource Management (CBRM) have livelihood assistance components that extend loans and grants so target communities can initiate income-augmenting activities.

- Accelerate implementation of the agrarian reform program and provide access to productive resources. The Bank supports the Agrarian Reform Community Development Project which seeks to deliver essential services to agrarian reform beneficiaries. At the same time, the Department of Agrarian Reform receives non-lending assistance through sharing of appropriate developing country experiences in agrarian reform.

- Give priority to housing for low income groups and review financing mechanisms for socialized housing. The Bank has been advising the government to create targeted housing subsidies for the poor. A proposed Housing Finance Technical Assistance Project includes a review of financing institutions engaged in affordable housing development.

- Encourage gender sensitivity training for government personnel. The Bank supports a multi-country gender study in East Asia. A proposed Social Expenditure Management Loan (SEML) provides support for government programs that address such issues as family violence.

- Rethink current development framework in the light of the Asian financial crisis and the alternative schemes used in the NGO community. The Bank emphasizes more holistic and participatory approaches to development as exemplified by the Comprehensive Development Framework (For details, see p. 4). At the same time, the Bank expresses support to the aims of Philippine Agenda 21, the country's long-term development plan.

- Consider environmental factors in development planning for cities and towns. Such issues will be addressed in new Bank-supported initiatives such as Local Government and Finance Development Project (LOGOFIND), LGU Water Adaptable Program Loan (APL) and Solid Waste Ecological and Enhancement Project (SWEPP). The Bank also provides TA for environmental advisory services.

- Improve governance and tighten measures that combat corruption. The Bank agrees with the comments and suggestions to simplify systems and procedures in the bureaucracy. For its part, the Bank has been streamlining overly bureaucratic processes in project preparation.

- Strengthen the judicial system to reduce graft and corruption. The Bank has assisted several countries to improve their respective judicial system and is evaluating a similar request from the Philippine government.

- Increase the participation of stakeholders in Bank-assisted projects. In the Philippines, about half of ongoing Bank projects involve NGOs/PoPs at specific stages of project implementation. Still, certain issues stand in the way of full project involvement by stakeholders.

- Focus on the poor and poverty issues in program planning. Poverty alleviation is the overarching objective behind the Bank's work with its member countries. It just takes a longer time for development projects to bear their impact on the poor.

- Keep stakeholders informed about the Bank and its projects, especially at the local level. The Bank believes that a broad dissemination of information increases public participation and improves project effectiveness. To this end, facilities for information sharing such as this newsletter and the Public Information Center at the Resident Mission Office have been launched. It is at the local level where adequate information seems wanting, and the Bank looks forward to improved sharing of information at the regional and provincial levels.

- Make the CAS a public document. The Bank has informed the government of this feedback from the consultations. A new policy on public disclosure states that the CAS document can be made available to the public after it has been presented to the Bank's Board of Directors and upon request of the government.
To Sustain Growth and Alleviate Poverty

A Comprehensive Development Framework

James D. Wolfensohn, President, World Bank Group

Development has two sides like the opposite faces of a coin, or two parts of a duet. Without the other half, the coin may not be negotiable and the duet loses its harmony.

This is the conceptual underpinning of a proposal advanced by James D. Wolfensohn seeking a broader approach to sustainable growth and poverty alleviation. Mr. Wolfensohn defines the two essential sides of development as the macroeconomic consideration on one hand, and the structural, social and human dimension on the other hand. In his proposed Comprehensive Development Framework, he argues that these two aspects should be considered together for a more inclusive picture of development.

Wolfensohn writes, "We cannot adopt a system in which the macroeconomic and financial (factors) are considered apart from the structural, social and human aspects, and vice versa...A wrong step on the macroeconomic side can have dire consequences on the structural, social and human dimensions. In addition, profligate and unbridled spending without regard to resource constraints and fiscal and monetary policy can also have dire consequences."

Macroeconomic indicators of a country's performance have been fine-tuned into the Bank's current appraisal system. However, there has been less success in accounting for structural and social progress. The global players in the development field as well as their national and local partners are hampered by their own limited resources, experience and reach. Thus, the underlying interdependence between financial and social concerns has yet to be addressed squarely.

In his proposal, Mr. Wolfensohn attempts to redress the situation via a matrix that plots the essential factors to sustainable growth and poverty alleviation against the activities of partners in the development process.

In essence, the framework has the following elements:

- Through partnerships, the CDF aims at maximizing development efforts through a "system" approach, with the country in the driver's seat (country ownership)

- The CDF calls for a holistic approach to development, where success in one sector is linked integrally on the progress in others, on a long-term basis (10-20 years).

- The CDF focuses on Macroeconomic/Financial/Structural and Social issues simultaneously, prioritizing actions of all partners.

- It focuses on results = Poverty Elimination.

- It uses modern communication to foster transparency and learning.

Wolfensohn contends that the long view afforded by the Comprehensive Development Framework should allow development players to think strategically about setting priorities and sequencing policies, programs and projects based on financial and human capacity.

The simple statement of intent in the matrix will be supported by annexes that provide the details of, for instance, the implementation plan and the timeline. Wolfensohn suggests that specialists, under the guidance of the top-level government official concerned, set forth the relevant programs for the next one to three years within a ten-to twenty-year framework.

Once an effective matrix is in place, the government and its development partners can assess the country's position by referring to both macroeconomic statistics and structural milestones.

The Bank is working with at least a dozen countries to try out the Comprehensive Development Framework for their inclusive, open and distinctive matrices.
“Filipinos Poorer in 1998”—Latest APIS Survey Says

The results of the poverty incidence survey for 1998 are in and all indicators point to an increase from the 32 percent of the population living below the poverty line in 1997.

The survey also indicated that about 13.5 million families nationwide, representing some 90% of the total population, have been affected by the ongoing financial crisis. Of those hurt by the crisis, 90 percent said the increase in commodity prices affected them while 17 percent had to take a cut in their wages last year.

These are just two of the highlights of the latest Annual Poverty Indicators Survey by the National Statistics Office, finally providing official documentation to the adverse effects of the Asian financial crisis and El Niño.

The survey was funded through ASEM Trust Fund, managed by World Bank in coordination with the United Nations Development Program (UNDP). It was conducted between April to September 1998.

Vinay Bhargava, World Bank Country Director said, “The impact of the crisis should not be taken lightly if one out of two families had to eat less to respond to the crisis, and if one out of three families has to work harder to cope.”

He added, “[The survey results] give a promising message to the government. Bringing down inflation and restoring agricultural growth will greatly improve the lives of a large number of poor people, given that over 97% of families felt the crisis through inflation and El Niño-induced decline in agriculture.”

Against the so-called ‘highest 60 percent’, the latest APIS report also indicated that the lowest 40 percent still lag behind in terms of access to housing, electricity, water and toilet facilities.

ASEM Helps Upgrade Audit Capacity and 1998 Poverty Survey

The ASEM (Asia-Europe Meeting) Trust Fund, through the World Bank, has approved a technical assistance (TA) grant of US$928,000 to the Philippine government to further strengthen its auditing capability in light of the regional financial crisis. The ASEM grant complements work being initiated under three World Bank projects, two of which involve credit lines for Land Bank of the Philippines and the Development Bank of the Philippines (DBP).

The TA for the Commission on Audit, the agency responsible for the audit of government departments and offices, including government-owned banks and corporations, cost US$728,000 for two years. Specifically, the grant will provide for on-the-job training to COA staff, and the preparation of new manuals. It will also provide for advisory services to COA on the audit of DBP and the Land Bank.

A separate amount of US$200,000 will help carry out a special diagnostic audit and financial review of the Philippine National Bank preparatory to the Bank’s full privatization. The Department of Finance will implement this part of the TA.

Focusing largely on compliance with various regulations, COA’s audit in the past has been satisfactory. However, with the recent financial crisis, new pressures and constraints on financing institutions have expanded the responsibilities of auditors and agencies.

The improved auditing competency resulting from the TA will reassure government as well as current and future creditors of government-owned banks that their transactions meet international standards and best practices.

The ASEM Fund has also awarded a US$967,000 grant to the National Statistics Office which was utilized to carry out the Annual Poverty Incidence Survey (APIS). (See boxed article for results.) The survey collected quantitative and qualitative information on the poverty situation in the country. Support to the APIS ensures that government has the facility to assess the situation for timely policy decisions.

The World Bank coordinates the ASEM Trust Fund activities with the Department of Finance. The Fund was launched in early 1998 by the European Union and EU member states to mitigate the financial and social impacts of the East Asian crisis.
and the emerging urban sprawls in many developing countries. Almost the same problems crop up—traffic congestion, environmental degradation, insufficient public services. The challenge for him is to apply strategic planning to balance nature and development.

Toru heads a team tasked with addressing urban development issues in the Philippines in coordination with local government units. He says, “I am very excited when we, as a team, are delivering high quality service to client governments using our core business competencies which are our global technical knowledge and financial resources.”

For relaxation, Toru prefers karaoke singing and even dabbles in composing his own music.

Fidelis “Fides” Herrera-Lim feels that the World Bank is like a second home to her. She started her career with the Bank at its headquarters in Washington D.C. while her husband assumed a diplomatic post at the Philippine embassy there. When her husband was called back to the home office, she followed him back home ready to be a full-time wife and mother to two kids.

But the World Bank provided her the opportunity to resume her career in Manila. She is Team Assistant currently assigned to the Infrastructure Team doing the projects she likes to do right in her own country.

Whenever her tight schedule allows, Fides plays golf, does flower arrangement or takes time to see the country’s celebrated beaches. She also likes to paint and has gone out of her way to organize “Likhang Tanay Exhibit 99” at the PNB Long Gallery, showcasing paintings from Tanay, Rizal.

Maria Marjorie “Marj” Espiritu is a Team Assistant at the Rural Development & Environment Team. She has had extensive exposure working in a multi-cultural environment. Prior to joining the Bank, she had working stints at 5-star hotels, the U.S. Agency for International Development and the European Commission in the Philippines.

To her, there is no secret to a successful career in a multi-national workplace except by being yourself. Marj advises, “Be frank and honest with your co-workers. With me, what you see is what you get.”

Shushan “Shu” Z. Gemora holds an Accounting degree from Assumption College in Makati City and she has taken up basic computer courses at De La Salle University. Prior to joining the Bank, she was an Assistant Manager for Operations and Customer Service at a local bank, where she was also involved in the bank-wide change of systems/technology and procedures.

Her work at the World Bank, at the procurement side of the Operational Core Services Group, exposes her to the use of new technology within a non-traditional banking environment.

Shu spends her spare time watching movies or “in anything that has to do with drawing.”

Ronaldo J. Obiepias has been a youth leader, Science teacher, an NGO worker, and a senior government officer, among others. In his checkered career, he has seen “poverty face to face” and “how government works—the difficulties and the rewards, its strengths as well as its weaknesses.”

He feels that his previous experiences provide a reality check to the programs and projects he handles in relation to the Bank’s human development portfolio. At the same time, he now finds himself at “the cutting edge of development science and practice” and hopes to draw lessons from the Bank’s extensive history at the forefront of development banking worldwide.

At home, he tends a garden accented by exotic mementos he picked up during his travels around the country.

Toru Hashimoto, a Japanese national, is an Urban Planner and was holding office at the Urban Development Sector Unit of East Asia and the Pacific Region at Headquarters before moving to RMP. Before joining the Bank in 1994, he worked as an urban planner in Japan and for the United Nations Regional Economic Commission.

He credits his fascination with urban planning with the parallels he saw in Yokohama, the city he grew up in as a boy, and the emerging urban sprawls in many developing countries. Almost the same problems crop up—traffic congestion, environmental degradation, insufficient public services. The challenge for him is to apply strategic planning to balance nature and development.

Toru heads a team tasked with addressing urban development issues in the Philippines in coordination with local government units. He says, “I am very excited when we, as a team, are delivering high quality service to client governments using our core business competencies which are our global technical knowledge and financial resources.”
She loves to dance and occasionally goes ballroom dancing. Her weekends are spent with her family and catching up on sleep, sleep and sleep...

**RIZALDY “ZALDY” C. GATDULA** is a registered Electronics and Communications engineer. He’s one of the technical services staff whose daily routine includes making sure your e-mails reach their destination intact and secure.

Zaldy has the experience (and the tools) to deal with unexpected snags and glitches in an electronic workspace. He was a field engineering supervisor at Siemens Nixdorf and head of the Technical Services department at Prime Bank where he helped manage the voice/data network.

He understands that developments in his field of expertise happen at a fast clip and he hopes to keep up with the innovations so he can deliver the support that’s expected of him. For one, he ensures that IT facilities at the Bank run smoothly and users get their e-mails without a hitch.

He spends his weekends with his family. During whatever spare time he has, he indulges in a little sports activity or sketching.

**New Field Office**

The Water and Sanitation Program—East Asia and Pacific, a joint undertaking of the World Bank and the United Nations Development Program, held a blessing ceremony for its new office on the twentieth floor of The Taipan Place in Ortigas Center, Metro Manila.

The blessing was attended by officers and staff of the World Bank Resident Mission in the Philippines and invited associates and guests of the Bank.

The Water and Sanitation Program staff share the new office space with two other RMP units—Infrastructure Team and Operational Core Services Team.

**New McNamara Fellow**

Mr. Presillas is the Assistant Director of DualTech Training Center Foundation, Inc., a technical/vocational institute which offers scholarship grants to poor but deserving out-of-school youths and high school graduates. The Center applies the Dual Training System, a special type of vocational skills training where the learning process takes place at both the school and the factory.

Close coordination between the Institute and select private firms has given DualTech Center the flexibility of developing training courses attuned to the actual demands of industry. Mr. Presillas’ research will look into how vocational institutes in the country are adjusting to the changing skills requirements of an increasingly globalized workplace.

The Robert S. McNamara Fellowship Program was established in 1982 to honor the former president of the World Bank. The program annually awards about 20 fellowships to support innovative and imaginative post-graduate research in areas of socioeconomic development—specifically focusing on issues critical to improving the lives of the most vulnerable in society.

To date, 173 awards have been made, spanning issues related to health and population, education of girls, environmental conservation, agricultural and infrastructure development, conflict resolution, role of NGOs in development, and trade and tax reforms.

Fellowships are open to applicants who are nationals of, or residents in, countries currently eligible to borrow from the World Bank.

**PANTALEON PRESILLAS** is the latest recipient of the Robert S. McNamara Fellowship from the Philippines. A financial grant will support Mr. Presillas’ year-long research study on the impact of globalization on the access of lower income groups to skills training opportunities.
and the structures for moving funds (and knowledge) from industrialized countries to poor nations.

Still, after over 50 years of involvement in the good fight against poverty worldwide, aid agencies like the World Bank continue to build their competence on valuable lessons both learned and unlearned. This book is rife with examples when foreign aid has been highly effective, totally ineffective and everything in between. Aid catalyzed growth in the Republic of Korea and Botswana in the 1960s, Bolivia and Ghana in late 1980s, and in Uganda and Vietnam in the 1990s. Unfortunately, it failed to make a difference in Zaire where a steady flow of aid got subverted by incompetence, corruption and misguided policies.

The rethink of aid at the World Bank has led to such findings as, financial aid works in a good policy environment, and effective aid complements private investment. As such, Assessing Aid, is essential reading to anyone deeply concerned with the larger business of seeking and extending foreign aid.

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