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WB Commends President Arroyo's Commitment to Economic Reforms

The World Bank welcomes President Arroyo's commitment to deepening economic reforms as the Philippines seeks to weather the current global economic downturn.

"We offer full support to its efforts in reducing poverty and improving the lives of more Filipinos, especially in areas where basic social services need strengthening," said Bank President James D. Wolfensohn who met President Arroyo in Washington, D.C. in November.

The Bank noted the importance of economic reforms that will strengthen public expenditures and financial management, increase public revenues, and ensure fiscal sustainability.

It also commended President Arroyo's commitment to improving governance and urged that further actions be taken to enhance the effectiveness of reforms. For instance, it cited the need to implement the rules and regulations for the Anti-Money Laundering Act.

Before the meeting, President Arroyo witnessed the signing of the \$30 million loan for the Local Government Unit Urban Water and Sanitation Project, which aims to encourage private sector investments in water supply and sanitation



WB President James D. Wolfensohn welcomes President Gloria Macapagal-Arroyo during the loan signing agreement for the LGU Urban Water and Sanitation Project and presentation of grant agreement for the preparation of the proposed Mindanao Social Fund Project (Phase 2). Looking on are Finance Secretary Jose Isidro Camacho, WB VP for East Asia and the Pacific Jemal-ud din Kassum and other officials.

facilities that are currently managed by municipalities. (Please see related story on page 2.)

Finance Secretary Jose Isidro Camacho and Development Bank of the Philippines President Remedios Macalincag signed on behalf of the Philippine Government while Vice President for East Asia and the Pacific Jemal-ud din Kassum signed on behalf of the Bank.

Mindanao Social Fund

President Arroyo was also presented with the signed agreement for the preparation and design of the proposed second phase of the Mindanao Social Fund Project.

A grant of \$1 million from the Japanese Government's Policy and Human Resource Development Fund will finance the preparation and design of the project, including the conduct of social assessments

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WB OKs US\$30M Loan for LGU Urban Water Project

The World Bank has approved a US \$30-million loan for the Local Government Units (LGUs) Urban Water and Sanitation Project.

The project is the second phase of a \$250 million four-phase adaptable loan program for investments in water supply and sanitation facilities managed by LGUs or municipalities.

To be implemented by the Development Bank of the Philippines, the project will expand its coverage to an additional 100 water utilities being managed by LGUs.

The project seeks to help water utilities improve operational efficiency and accountability to consumers, facilitate private sector participation, and leverage private financial flows into the water and sanitation sector.

The project design adopts a participatory process that will decide on service levels and tariffs. It also provides incentives for



President Gloria Macapagal -Arroyo and WB President James Wolfensohn witness the signing of the LGU Urban Water and Sanitation Project between the Philippine Government represented by Finance Secretary Jose Isidro Camacho and Development Bank of the Philippines President Remedios Macalincag and the Bank, represented by VP for East Asia and the Pacific Jemal-ud din Kassum.

outsourcing operations and maintenance responsibilities for constructed facilities through lease contracts with private operators.

When the fourth phase of the program is completed, some 250 municipalities with

800,000 residents will receive reliable, affordable and sustainable water and sanitation services.



Small Grants Program Welcomes Proposals

The World Bank Small Grants Program (SGP) now accepts proposals from civil society that are officially based and operating in the provinces.

SGP supports activities that promote networking, dialogue and dissemination of information and enhance partnership among various stakeholders.

For fiscal year (July 1, 2001 to June 30, 2002), SGP will focus on supporting activities for the empowerment of marginalized and vulnerable groups.

Activities may include, but not limited to, workshops, seminars, publication or production of audio-visual materials, information dissemination, dialogue and other innovative networking efforts.

Deadline of applications: March 15, 2002. Request for smaller amount is preferred, but larger grants may also be allowed but only to a maximum amount of \$10,000.

Inquiries or applications, or both, maybe sent by mail or faxed to:

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RP Gets US\$1M Grants for Laguna de Bay

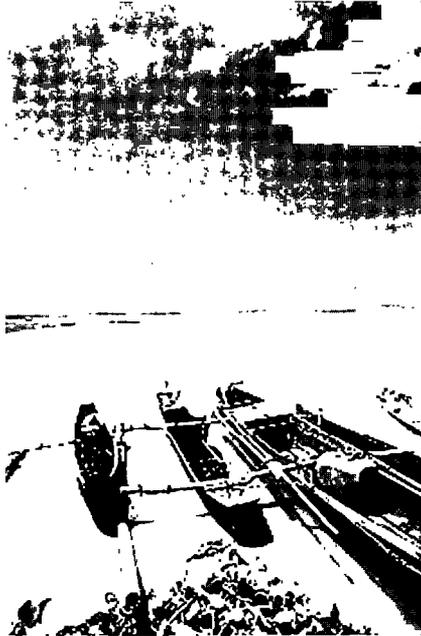
The Philippine Government recently received a combined US\$1 million in grants from the Japanese Government and the World Bank's Global Environment Facility (GEF) for the preservation and protection of Laguna de Bay.

Laguna de Bay is the largest lake in the country, covering half of the total 190,000 hectares of inland lakes, and the second largest in Southeast Asia, next to Lake Toba in Indonesia.

The grants—\$988,400 from the Japanese Government and \$25,000 from the GEF—will help the Laguna Lake Development Authority (LLDA) prepare an environment and watershed management project for Laguna de Bay.

The project aims to improve both the lake's water quality and volume through local government units (LGUs) and in partnership with the government, private sector and civil society.

The grant from the Japanese Government, which is administered by



the World Bank, will help LLDA develop an investment program for high priority projects, design community-driven environment and social programs, and strengthen the capacity of lake users such as LGUs, government agencies and private businesses in protecting the environment.

The GEF grant will help the LLDA review investment programs and plans for Mt. Makiling and Laguna de Bay. Based on this review, the LLDA will conduct technical, economic and environmental analyses with stakeholder participation. It will also develop an integrated ecosystems management program for Mt. Makiling and Laguna de Bay.

Over 10 million people are affected by the degradation of Laguna de Bay, which is now only 2.5 meters deep because of erosion of soil from its watersheds, brought about by rapid urbanization and industrialization.

Much of its watersheds, once green and home to many wildlife, have given way to settlements and industries. Wastes from industries and households have significantly affected the water quality and the aquatic life that supports many people around it. Moreover, quarrying has destroyed patches of the watershed with the run-offs eventually settling in the lakebeds.



WB Commends President Arroyo's Commitment to Economic Reforms

of the priority needs of communities in specific conflict-affected communities.

The preparation work will build on the lessons from the ongoing Special Zone of Peace and Development (SZOPAD) Social Fund Project and from other social fund projects in other parts of the world.

The first Mindanao Social Fund Project, which began in 1998, has been implemented in SZOPAD areas and has been successful in the quick delivery of

community-driven subprojects and basic services in support of the 1996 Peace Agreement with the Moro National Liberation Front.

But a large demand for community-driven subprojects and basic services is still unmet, especially in conflict-affected areas. The second Mindanao Social Fund intends to address a significant part of this unmet demand by taking a more comprehensive and sustainable strategy to be supported

by priority activities such as strengthening the role, capacity and effectiveness of major stakeholders in Mindanao.

President Arroyo said she appreciated the responsiveness of the Bank to her program of peace and development in Muslim Mindanao. "The proposed second phase of the Mindanao Social Fund is a key to stability that will help the poor from conflict-affected communities of my country," she said.



For Country Assistance Strategy for RP

WB Holds Multi-Stakeholder Consultations

The Bank's mission is to help countries fight poverty by providing member-countries with loans and policy advice, technical assistance and other non-lending services. Its assistance to the Philippines is governed by the Country Assistance Strategy, which identifies and specifies various development objectives and priorities for the member-country.

The current CAS for the Philippines was prepared in consultation with the government, private sector, academic institutions, and NGOs and civil society across the country.

Restore Growth, Reduce Poverty

The Bank's CAS for the Philippines is reviewed every three years to ensure that it remain responsive to the development needs of the country. The resulting future assistance program is then reflected in a new CAS, which aims to restore economic growth while reducing poverty and improving equity.

To prepare for the CAS for July 2002 to June 2005, the World Bank held a series of multi-stakeholder consultations during the last quarter of 2001.



Participants from the rural sector note the Bank's correct focus on Mindanao and rural infrastructure.



A small group workshop with stakeholders from the rural sector.

The consultations brought together various stakeholders in government, both national and local; labor and business; non-government organizations (NGOs), both advocacy and operational; academic and research institutions.

The new CAS will be based on the Bank's experience in implementing the current strategy and the priorities identified in the government's new Medium-Term Philippine Development Plan. It will be presented to the Bank's Board of Executive Directors in the first half of 2002.

Six Sectoral Meetings

From September to November 2001, the Bank organized a series of six sectoral consultations, as well as meetings with donors and a special meeting with WB staff and government officials.

The consultations reviewed the government's new Medium-Term Philippine Development Plan in relation with the current CAS to determine which strategy worked well and which did not.

The meetings also drew lessons from the implementation of the CAS in the past three years, identified current and emerging issues relevant to various sectors, and identified a number of strategic changes.

Rapid appraisal or quick scan was done during the consultations. Two top issues emerged — governance and need to improve implementation of programs and projects.

The summaries of discussion highlights and recommendations from these consultation meetings were then presented to the Bank staff and government officials



Van Pulley at the meeting.

from the National Economic and Development Authority, Department of Finance, Department of Budget and Management, Commission on Audit and other government agencies.

The Bank also contracted a team of facilitators and documentors, who are social development practitioners coming from the civil society and the academe.

Summary of Feedback of Stakeholders During the Consultations



Participants from various government agencies discuss the country's major development issues.

Urban Development

- Strengthen government capacity from the barangay to the national government
- Promote stronger involvement of NGOs and communities
- Provide low-cost housing to the urban poor
- Give national support to brown environment agenda and social projects for LGUs
- Reach out more effectively to LGUs

Human Development

- Give closer attention to cross cutting issues critical to the sector—population, gender, governance and empowerment
- Emphasize capacity building for LGUs, civil society and community partners and synchronize inputs and services of national government agencies, LGUs and NGO partners
- Adopt family- and community-centered approaches in addressing drop out or out-of-school youth concerns
- Provide support to the working poor — safety nets for informal sector workers and assistance to displaced workers.

Infrastructure Development

- Address inadequate infrastructure which contributes to the slow pace of rural development
- Support rural roads—concerns about O&M on myriad of investments
- Look into the high cost of transport, especially shipping
- Improve traffic management and efficient public transport

Sustainable Poverty Reducing Growth

- Since quality of growth is important, support investments in human resources and rural infrastructure are necessary

- Explore micro supply-side reforms to generate growth—deregulation to increase competition, agrarian reform, land reform, privatization and banking regulations
- Improve fiscal management, especially revenue mobilization, risk management and national government-LGU links
- Strengthen the financial sector
- Continue blend of lending and non-lending services in support of poverty reducing growth

Rural Development and Natural Resource Management

- General consistency of regional development and natural resource management sector assistance with the government's MTPDP priorities, except for the timing of some interventions
- *There is correct focus on Mindanao and rural infrastructure*
- Emphasis must also be placed on interventions related to enhancing natural resource management, productivity and market linkages, access to rural finance, and support to IPs
- Institutional capacity assessments, especially for LGUs and NGOs, are critical.
- Social assessments and capacity building should be integral aspects of bank interventions

Good and Effective Governance

- *Cross-cutting concerns :* Manpower-competence, knowledge, remuneration, political interference Logistical support-facilities and IT infrastructure Oversight, monitoring, evaluation and accountability systems Restrictive, unclear, fragmented rules and regulations Genuine participation of stakeholders

- Procurement—too many laws and regulations, many layers of approval, long process, absence of M&E (no government agency to monitor procurement)
- Financial management — weak capacity, inadequate IT structure, weak reporting system, lack of understanding and coordination in implementing reforms
- Local governance — political interferences, weak project implementation capacity, fixing accountability (M&E), flow of funds

SOME RECOMMENDATIONS OF THE PARTICIPANTS

Rural Development

- Integrate the provision of services for the rural poor under a sustainable development framework
- Make social assessment and capacity building parts of every instrument on rural development.

Urban Development

- Implement the National Land Use Code; its guidelines and standards for creating cities and managing them should be clearly set.
- Give priority to capacity building and training of LGUs in such areas as policy reform, land use planning and enforcement, and solid waste management.

Human Development

- Assure and sustain civil society participation in evaluating programs and projects.
- Support projects in population education and management such as reproductive health

Governance

- Provide technical assistance to LGUs in information technology, general management, financial management and procurement, monitoring and evaluation.
- Intensify electorate education to include the use of competence index, criteria for selecting government officials and report card for incumbents.

For complete report on the consultations, visit www.worldbank.org.ph

World Bank Report Urges Fast Action on Garbage

“Time is ticking away and we need to act fast on the fast piling and stinking problem of garbage.” This was raised in the Philippine Environment Monitor 2001, a World Bank report that focuses on solid waste management.

Secretary Heherson Alvarez of the Department of Environment and Natural Resources launched the Monitor with World Bank Country Director Robert Vance Pulley at the Pura Kalaw Elementary School in Quezon City.

The launch was attended by national and local government officials, representatives of civil society, the donor community and media.

Secretary Alvarez stressed the need to change behavior even at an early age as the “success of the Ecological Solid Waste Management Act will require behavior and culture change.”

Mr. Pulley complimented the government and civil society on the passage of the Ecological Solid Waste Management Act in early 2001. “The bigger challenge now is to enforce the law—turning it into action by moving from advocacy to actions, resulting in benefits for people and the environment.

Patchamuthu Illangovan,
Environment Specialist and Team



Secretary Heherson Alvarez and Country Director Robert Vance Pulley plant a tree to symbolize the launch of the Philippine Environment Monitor at the Pura Kalaw Elementary School in Quezon City.

Leader for the Monitor, cited the increasing rates of garbage production and the lack of progress in developing safe disposal facilities. “This is the reason the Monitor focused on solid waste,” he said. “It is clearly one of the priority and visible concerns in the country, and proper disposal facilities that include recycling, composting and sanitary landfilling, should be urgently implemented.”

Alarming Picture

The Monitor paints an alarming picture of the garbage situation in the country.

It cited some facts:

- Each Filipino generates almost half a kilo of garbage daily. Ten million tons of garbage generated in 2001 would increase 40% by 2010, or even more if cities or the economy grow more rapidly than forecast.
- Only 70% of garbage is collected in urban areas and only 40% in rural areas. The situation is worst in poor communities.

- In 1997, only 10% of solid waste was landfilled. Today, the situation has worsen as only 2% of waste is disposed of in controlled dumps or sanitary landfills, while 75% is left to rot in open uncontrolled dumps.
- Only 5% of hazardous waste is recycled or treated properly.
- Premature closing of Carmona and San Mateo landfills due to environmental concerns, local opposition to new sites, and lack of comprehensive recycling system cause garbage pile-ups in Metro Manila.
- The effects of rotting garbage and untreated toxic waste contamination of ground and surface water, flooding, disease and air pollution due to uncontrolled burning of waste—endanger the health of the public and hurt the poor most.

For free copies of the Environment Monitor
Contact: Charito Cabalang-Sanalila,
ccabalang@worldbank.org or tel. 917-3034

WB Launches Philippine LGU Portal

The World Bank Office Manila recently launched the Philippine LGU Assistance Portal on the web, a one-stop shop for information on Bank-supported products and services for local government units (LGUs) in the Philippines.

The Bank also gives free CD-ROM to LGUs. The CD-ROM, which replicates the website, contains a brief description of the project objectives, components, terms and conditions, and LGU eligibility requirements. It also contains a list of names and contact information on the staff of implementing agencies that manage the projects and the Bank's staff that supervise the projects.

In the portal, LGUs can find useful and relevant information on Bank-supported products and services in eight sectors, namely: water supply, sanitation and drainage; infrastructure; rural

development; education; health and nutrition; environment; capacity building; and energy and other products.

Country Director Robert Vance Pulley said the idea for the LGU Portal grew out of the Bank's efforts to bring itself closer to LGUs. "The LGUs are at the forefront of development efforts in the country," he said. "We are committed to helping them in the difficult task of poverty alleviation as we continue to seek new and innovative ways to reach our clients."

Mr. Pulley said the LGU Portal also seeks to facilitate communication and exchange of information among its users by using a range of media and web-based communications.

He said interested LGUs who have access to the Net may submit an Online Letter of Intent to access project funds

for their priority development needs. "This will immediately initiate dialogue with the implementing agency," he explained.

He added that succeeding steps in the application, including pro-forma documents required by the implementing agency, are also included in the project detail pages on the website.

On the other hand, he said LGUs with ongoing projects may contact the concerned implementing agency through e-mail, thereby eliminating the costs entailed by long distance calls or travel. For those without access to the Net, the free CD-ROM has printable versions of the application forms that can be mailed to relevant implementing agencies.



WB's Partnership with Civil Society Cited

The World Bank Philippines was recognized for giving importance to the role of civil society in the Bank's policies and programs by CODE-NGO during its 10th year anniversary.

The award, received by Country Director Robert Van Pulley, cited the Bank "for constantly working to increase civil society participation in their undertakings."

President Gloria Macapagal-Arroyo presented the award, a tapestry on bamboo especially made by local artists from Mindanao, before a large crowd of civil society from all over the country,

government officials, donors, and media.

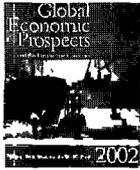
The Bank was the only multilateral institution among the 21 honorees recognized by CODE-NGO.

CODE-NGO is a coalition of major NGOs dedicated to social development in the Philippines. It has seven national networks and five regional networks, representing more than 3,000 NGOs and cooperatives nationwide.

Non-profit organizations number more than 60,000 in the country. Development NGOs like CODE-NGO are estimated at over 5,000.



Country Director Robert Vance Pulley receives the award from President Gloria Macapagal-Arroyo during the 10th anniversary of CODE-NGO.



Global Economic Prospects 2002: Making Trade Work for the World's Poor

November 2001
273 pages

This year's Global Economic Prospects argues for reshaping the global architecture of world trade to promote development and poverty reduction.

The report focuses on four policy areas:

- Using the World Trade Organization (WTO) ministerial to launch a development round of trade negotiations that would reduce global trade barriers
- Engaging in global collective action to promote trade outside the negotiating framework of the WTO
- Adopting pro-trade development policies of high-income countries unilaterally
- Enacting new trade reform in developing countries.

The report contends that the policies recommended in these four areas would reshape the global trade architecture in a way that would enhance the prospects of developing countries and reduce world poverty.

While the most likely scenario is for recovery beginning in 2002, today's slow growth of global trade and weakening financial flows to all but the most creditworthy countries has impeded growth in developing countries.

The report concludes that the long-term promise of a well-implemented trade reform is therefore tangible: a world with a much higher standard of living, hundreds of millions lifted out of poverty, and a sharp increase in children living beyond their fifth birthday to become productive citizens of the world.



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World Development Report 2002

August 2001
256 pages

The World Development Report 2002: Building Institutions for Markets undertakes the complex issue of the basic institutions needed for markets to function properly.

The report goes beyond a simple examination of institutional structure and explores the functions of institutions. Recognizing that one size does not fit all, the report asks: "What do all institutions which support markets do?"

The answer is simple: institutions channel information, define and enforce property rights, and increase or prevent competition. Understanding the functions that current institutions and their proposed replacements would provide is the first step.

The report contends that once you have identified the institutional functions that are missing, you can then build effective institutions by following some basic principles:

- Complement what already exists in terms of supporting institutions, human capacities and technology.
- Innovate to suit local norms and conditions. Experimenting with new structures can provide a country with creative solutions that work.
- Connect communities of market players through open information flows and open trade. Open trade and information flows create demand for new institutions and improve the functioning of existing structures.
- Compete among jurisdictions, firms and individuals. Increased competition creates demand for new institutions as old ones lose their effectiveness. It also affects how people behave, improving institutional quality.

These broad lessons and careful analyses, which link theory with pertinent evidence, are provided in the report, which contains selected world development indicators.



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