WB President Visits the Philippines

During his first official visit to the Philippines last February, World Bank President James D. Wolfensohn said he was particularly concerned about the impact of the Asian financial crisis on the poor.

"What I’ve been doing on this trip is to focus not just on the financial aspects but also on the social and human aspects, which are real," the President said.

Mr. Wolfensohn said the crisis had created social tensions in varying degrees throughout the region. "That’s a serious issue," he stressed, citing problems like rising unemployment and food shortage.

He observed that people who lost their jobs in the cities were going back to the rural areas. "Labor migration from urban to rural areas usually disrupt the existence of poor families, especially women and children," he explained.

"Some of the children are being forced to leave school and engage in activities that we hope our kids would not get into," he added.

One month after WB President Wolfensohn visited the Philippines and announced a $1-billion package for the Philippines in 1998, three new projects were approved by the Bank’s Board of Executive Directors.

These projects, worth $79 million, aim to increase the incomes of the poor and provide basic services to them. These are the Special Zone of Peace and Development (SZOPAD) Social Fund, $10M; Early Childhood Development (ECD), $19M; and Community-Based Resource Management (CBRM), $50M.

To respond to the Government’s efforts to refocus development assistance in support of the Peace Accord between the Philippine Government and the Moro National Liberation Front, the WB approved a loan of $10M to help finance the SZOPAD Social Fund project.

The project will increase access of the poor and those affected by the conflict to basic economic and social services.

WB OKs 3 Projects to Help the Poor

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WB President Visits RP

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"Open, Democratic Society"

Mr. Wolfensohn also said he was deeply impressed by the Philippines’ open, democratic society. “I have to pay enormous tribute to what has been done in the last 10 years in terms of linking government, civil society and trade unions together,” he said.

Aside from finance officials and business leaders, Mr. Wolfensohn met with representatives from non-government organizations and trade unions, along with government officials managing the country’s social services. He described these meetings as “very unusual.” “This is rare in terms of my visit to 65 countries. I think that the Philippine model is a model that many could follow,” he said.

S1-B Commitment

Mr. Wolfensohn announced during his visit that for 1998, the Bank is preparing a $1-billion package of financial assistance to various government projects. The first three of these projects will raise incomes of the poor and provide them with basic services. (Please see WB OKs 3 Projects...)

Other projects scheduled for submission to the Bank’s Board later this year will improve infrastructure and protect and enhance the environment. These projects are Local Government Water and Sanitation, $60M; Solid Waste Environment Enhancement, $100M; and Local Government Finance, $100M.

The Bank has also committed credit lines estimated at $150M for agriculture and industry, particularly for small and medium enterprises and export-oriented activities.

The Bank is also discussing with the Government a package of $500M for quick-disbursing loans and technical assistance for structural reforms in the financial and public management sectors.

WB OKs Projects for the Poor

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social infrastructure, services and employment opportunities in the SZOPAD areas.

Through the Social Fund, grant financing will be provided through local government units (LGUs), non-government organizations (NGOs), and community-based groups which will carry out sub-projects. These sub-projects may include rural access roads, rural water supply and sanitation, small-scale irrigation schemes, and communal clinics and schools. The project will be implemented by a Social Fund Agency created under the Office of the President.

The ECD project will improve the health, nutritional, educational, and psychological status of pre-school children from poor communities. The years, 0-6, are the formative years of the child, where failure to meet physical, mental, social, and psychological needs could lead to serious negative effects on the child’s overall development. The project will also improve the parents’ capacity to understand and take action to meet the needs of their children. The capacities of local communities and community-based groups to plan, manage and finance child development interventions in an integrated manner will also be enhanced.

Similarly, the capacity of central government agencies responsible for child development to support LGUs in planning, managing, financing, monitoring, and evaluating ECD programs will also be improved. Project implementation will be carried out by the Departments of Social Welfare and Development, Health, and LGUs.

The CBRM project will address rural poverty and degradation of natural resources through support for locally generated and implemented natural resource management projects.

Since half of the country’s population of 67.5 million live in the rural areas where the incidence of poverty remains high, this project is expected to create a positive impact on millions of Filipinos.

The project aims to enhance the capacity of low-income rural LGUs and communities to plan, implement and sustain priority natural resource management projects; strengthen the higher levels of government systems to transfer finance and environmental technology and improve implementation of environmental policies; and provide resources to LGUs to finance natural resource management projects. The project will be supervised by the Department of Finance and implemented by LGUs with assistance from national agencies.

Discussions. Mr. Wolfensohn shares light moments with Finance Secretary Salvador Engracia (left) and Bangko Sentral ng Pilipinas Gov. Gabriel Singging (right) after discussing vital finance and monetary issues.
The challenge for the Club of 29 and the World Bank during the second half of fiscal year (FY) 1998 is to intensify the supervision of Bank-assisted projects and the implementation of measures that will improve procurement, disbursement and financial management, according to the FY '98 Mid-Year Portfolio Review Report.

As of December 1997—the end of the first half of FY 1998—the Bank's portfolio in the Philippines comprising 26 projects had total commitments of US$2.4 billion.

During the first half of FY 1998, actual disbursements amounted to $190 million, about 60% of the target of $323 million. However, this was 11% lower than the $213 million disbursements during the same period in FY 1997.

Large disbursements flowed to five projects: Transmission Grid Reinforcement, Leyte-Luzon Geothermal, Highway Management, Coconut Farms Development and Rural Finance II.

The Report said 24 projects satisfactorily met development objectives while 22 projects had a satisfactory performance during the period.

It also identified four projects in the portfolio that need improvement in performance. These are Highway Management, Rural Electrification and Revitalization and Urban Health and Nutrition (which encountered persistent procurement problems) and Manila Second Sewerage, which has been delayed due to the privatization of the Metropolitan Waterworks and Sewerage System.

### Action Plan

From January to June this year, the Club of 29, Government oversight agencies, and the Bank have outlined a five-point action plan:

- Maintain rigorous approach to closing dates for actual problem projects in the absence of realistic action plans that could be monitored.
- Raise the proportion of new projects with satisfactory quality at entry—consistent with the Bank's country assistance strategy—to 85% or higher.
- Meet the disbursement target of $323 million by the end of FY 1998.
- Continue to implement the procurement and financial management initiatives.

Progress in the action plans will be assessed during the joint Government-Bank FY 1998 Country Portfolio Performance Review (CPPR), which is scheduled in May this year.

### Decentralization

The role of the Bank's Resident Mission staff in overseeing projects will also be strengthened.

With the decentralization of field offices, the Resident Mission now directly oversees five projects—Subic Bay Freeport projects I and II, Urban Health and Nutrition, Health Development and Third Elementary Education.

Before decentralization in July 1997, only Subic Bay Metropolitan Authority projects were being directly supervised from the Resident Mission Office.

The Report noted that “experience with decentralization has been positive with more collaborative and constant interaction between RMP staff and the project managers.”

Further, it observed that the portfolio continued to benefit from increased supervision resources.

The supervision budget for FY 1998, for instance, amounts to $1.7 million, 21% higher than the $1.4 billion budget in FY 1997.
"It’s been a very good visit. I don’t think anyone is immune from the problems of a financial turmoil but I really do feel that the team here is working very well together and got the right priorities."

Face-to-face. Mr. Wolfensohn meets Mr. Mitsuo Sato, President of Asian Development Bank. Looking on is Mr. Peter Sullivan, ADB’s Vice President.

‘Game.’ Mr. Wolfensohn gamely answers questions thrown by Manila-based media, both print and broadcast.

Good Listener. Mr. Wolfensohn listens intently to queries from the press.
"What I've been doing on this trip is to focus not just on the financial aspects but also on the social and human aspects, which are real."

With Civil Society: The President joins representatives from NGOs and trade unions.

All in the Family: Twas a picture of the WB family in the Philippines with Mr. Wolfensohn and his wife Elaine—a memento of a memorable occasion.

Cocktails. Mr. Wolfensohn, a former investment banker, chats with Filipino bankers Octavio Espiritu and Deogracias Vistan.
WB's Small Grants Program Now Managed at Country Level

The World Bank's Small Grants Program (SGP) is now being managed at the country level. At least 20 of the Bank's Resident Missions in developing countries now administer the program. They respond to inquiries, accept and evaluate applications, and award and monitor grants.

Formed in 1983, the SGP supports activities of non-profit, non-government organizations (NGOs) through grants. It promotes dialogue and dissemination of information on international development in forums outside the Bank's operations.

The initiative is part of the Bank's decentralization efforts to bring the Bank's products and services closer to clients. "The initiative will help improve Bank-NGO communication at the country level and grant decision-making based on a country level assessment of priority needs and NGO professionalism," said Gloria Davis, director of the Bank's Social Development Department.

She added that the move also aims to create simple, systemic and low-cost tool for improved Bank-NGO relationships and provide better service to the Bank's clients.

For FY 1998 (July 1997 to June 1998), the Bank's Small Grants Committee has approved a fund of $25,000 for each of the 20 Resident Missions all over the world, including the Philippines.

About the Program

The Small Grants Program was created in 1983 to provide a way for the Bank to promote dialogue and dissemination of information on international development in forums outside its operations. Starting fiscal year 1998, the management and administration of the SGP has been decentralized to country offices. A total of $25,000 has been allotted for the Philippines' Resident Mission.

Who Can Apply?

Any single or a coalition of non-stock, non-profit, non-government, voluntary organizations established primarily to work for development. Examples are cooperatives or a broad coalition of cooperatives, NGOs, foundations and people's organizations which are based in the Philippines and managed by Filipinos. The organization should be registered with the Securities and Exchange Commission or any accrediting institution by the Philippine Government.

What Sort of Activities Are Supported?

The Program supports activities that promote networking, dialogue and dissemination of information about local, regional and international development among various stakeholders. These may include conferences, seminars, special editions or start-up costs of publications, audio-video materials, or other innovative networking efforts that non-profit organizations find difficult to fund through their regular program budgets. The focus could be on development issues such as poverty reduction, environmental protection, human resource development and private sector development.

What Size of Grants Are Awarded?

Most grants are in the range of $5,000 to $10,000. Smaller grants are possible, but larger grants are rare. The grant should not be used to finance the whole activity but should cover only a portion of it. A cash or in-kind counterpart from the grantee of less than 25% of total cost required and should be reflected in the proposed budget. Contributions from other donors or sources will be highly encouraged.

How Are Grants Awarded?

Applications will be screened, reviewed and evaluated by a committee of Resident Mission Staff appointed by the Country Director. Short-listed proposals will be recommended to the Country Director who will make the final decision. Letters will be sent out to applying organizations to inform them of the Bank's decision.

How Are Applications Evaluated?

• Will the grant promote relevant development issues and concerns among non-governmental institutions, the World Bank, Government and other members of civil society?
• Will the grant contribute to the creation of an enabling environment for civil society participation?
• Is the grant intended for a specific activity?
• Will the activity be completed within one year?
• Does the proposal have clearly stated objectives, expected activities and outputs?
• Could the grant generate additional support from other donors and sources?
• Were previous grants (from the Bank or other donors) to the organization well used?
• Is the organization suitable for World Bank support?
• Was the application received six to twelve months in advance of the proposed activity?
• Has there been a recent grant from the Program to the applying organization?

Which Grant Activities Are Given Priority?

• Activities which focus on lessons from other countries relevant to Philippine setting.
• Activities that promote regional representation or the participation of people from the provinces or regions.
• Activities which promote linkages with and cooperation among diverse groups of stakeholders such as NGOs, government, donors, business community, private sector, local people, women and children.
• Activities which focus not only on identifying a problem but also on finding an indigenous solution to the problem.
• Activities which can show that early World Bank support will help generate additional support from other donors.

How to Apply for a Grant

Applicants should apply at least six months before the date of the grant activity. Application should be brief and concise, not more than four pages.

Applications should be sent by mail or faxed to:
Ms. Leonora A. Gonzales
External Relations Officer
The World Bank
Resident Mission in the Philippines
23/F The Taipan Place
Emerald Ave., Ortigas Center
Pasig City
Tel. 637-5855 to 64
Fax. 917-3050/914-2835
GDF ‘98 Focuses On East Asian Crisis

World Bank’s latest publication, Global Development Finance (GDF) 1998, is now available.

GDF focuses on the causes and implications of the East Asian financial crisis, as well its evolution and prospects.

GDF, the most comprehensive and detailed publication on developing countries’ external debt and financial flows, explores the following East Asian issues:

- Problems that led to the financial crisis, including large current account deficits, real exchange rate, misallocation of investment
- Severity of the crisis, which was exacerbated by hesitant policy responses and political uncertainties
- Difficulties mainly arising from private sector financial decisions and the small sector of public sector borrowing
- Impact of the crisis beyond East Asia and the international community’s role in supporting the affected countries

With consolidated statistics for all developing countries, GDF continues to be an indispensable reference guide for economists, bankers, country risk analysts, financial consultants, and others involved in investment lending and capital flows worldwide.

GDF consists of two volumes. The first volume, Analysis and Summary Tables, examines recent development flows from international capital markets to developing countries.

It also provides expert commentary on trends in net official finance and aid allocation, efforts to assist the heavily indebted developing countries, and the increasing volume and scope of guarantee activities.

Further, it has appendices which cover debt burden indicators, country classification, official and commercial debt restructuring, privatization, and external financing and debt of the geographic regions.

The second volume, Country Tables, provides statistical data from the 138 countries that report public and publicly guaranteed debt under the World Bank Debt Reporting System.

The tables are designed to facilitate cross-country comparison of key statistics, including summary statistical tables for income and regional groups.

Further, the country tables present a wealth of detail on each country’s external debt, including total external debt stocks and flows, major economic aggregates, and key debt ratios.

The key data are debt service paid, average terms of new commitments, currency composition of long-term debt, debt restructuring, and scheduled debt service projections.

GDF is also available on diskette and a Windows-based CD-ROM. The CD-ROM presents the data and text from the two volumes and gives users the ability to map and graph data sets.

You can read the publication at the World Bank Public Information Center (PIC) in Manila, 23/F, The Taipan Place, Emerald Ave., Ortigas Center, Pasig City. The PIC is open Monday to Friday, 9-12 a.m. and 1-3 p.m. Or write to The World Bank, Office of the Publisher, 1818 H Street, N.W., Washington, D.C. 20433. You can also visit www.worldbank.org.

GDF ‘98 is the most comprehensive publication on developing countries’ external debt and financial flows

For orders, you can contact the Bank’s distributor in the Philippines, Booksourcing Inc., 896-6501.

Prices:
- Analysis & Summary Tables $40
- Country Tables, Analysis & Summary Tables Set $300
- CD-ROM (individual version) $300

This issue was prompted by the recent visit of WB President James D. Wolfensohn to the Philippines.

During his visit, Mr. Wolfensohn expressed the Bank’s support to the adoption by East Asian governments of wide-ranging reforms in the corporate and financial sector, improvement of quality and transparency of key government institutions and strengthening of social protection for the poor.
The Asia Development Forum

The Poor Worst Hit By East Asian Crisis

The crisis in East Asia poses risks to the poorest in society, according to two economists who spoke at the recent Asia Development Forum on East Asian economics in Manila.

Michael Walton, a senior World Bank poverty specialist, said the most affected by the crisis are the poor and the workers in informal sector, who now suffer from job losses, rising prices and cuts in public services.

Mr. Walton said the crisis could significantly derail social progress in the region. "If distribution patterns in East Asian economies worsen, poverty increases would be magnified," he warned.

He suggested that Asian governments continue support for small-farm production and adopt a policy of "greater transparency to reduce unfair wealth acquisition."

Hardships

Philippine Socioeconomic Planning Secretary Cielito Habito said the cost of the crisis to poor Filipino families is exacting, pointing to layoffs, budget cuts and increasing food prices.

He said the Philippine government alone had received notices of 19,000 layoffs. "Spending constraints will affect health budgets, and budget pressures will hit schools, teacher training and education programs," he added.

Mr. Habito also feared a worsening of environmental problems due to the crisis. "There would be more pressure to chop local forests to generate export earnings. Laid-off workers would turn to fishing for livelihood, adding to overfishing pressures to coastal waters," he said.

Reforms

Despite the crisis, President Fidel V. Ramos said during the opening of the four-day conference that Asian economies should pursue financial reforms and liberalization.

Mr. Ramos noted some "glaring weaknesses" in the financial systems of East Asian countries, among them, crony capitalism, which contributed to "questionable government contracts, corruption and cost overruns."

He said the Philippines was partly "buffered from the storm" because of the financial reforms it had undertaken in the past.

He said, for example, that only 11.6% of the Philippine commercial banks’ loan portfolio went to the risky real estate sector compared with Thailand’s 94%.

World Bank’s Chief Economist Joseph Stiglitz emphasized that establishing an effective regulatory system is one way to restore and sustain the growth of East Asian economies.

Mr. Stiglitz, the lead author of the Bank’s Rethinking the East Asian Miracle study, also pointed to the need to improve corporate governance and enhance transparency.

Organizers

The Asia Development Forum was organized by the World Bank’s Economic Development Institute and the Asian Development Bank, in cooperation with the National Economic and Development Authority.

The conference (March 9-12) was attended by over 350 people from governments, universities, think tanks, the private sector and the media in Asia.

"The financial crisis was the result of a number of factors which have made these economies especially vulnerable to a sudden withdrawal of confidence. Restoring growth in East Asia requires restoring confidence. This means establishing an effective regulatory system, improving corporate governance and enhancing transparency more broadly."

Joseph E. Stiglitz
WB’s SVP & Chief Economist