

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2001-2003)**

PHILIPPINES

December 2000

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for the Philippines covering the three-year period 2001-2003. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and July 2000, in close consultation with the Government of the Philippines, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 2000. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

For further information, please visit the Asian Development Bank's website at <http://www.adb.org> or contact the following:

Country Director, Philippines
Philippines Country Office
Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

Mailing address:
P.O. Box 789
0980 Manila, Philippines

Telephone (632) 632-5897 or 632-5893 or 632-5894
Fax (632) 636-2382
E-mail adbpub@adb.org

CURRENCY EQUIVALENTS

(as of 30 November 2000)

Currency Unit	–	Peso (₱)
₱1.00	–	\$0.0202
\$1.00	–	₱49.40

ABBREVIATIONS

ACCSF	–	Asian Currency Crisis Support Facility
ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AFMA	–	Agriculture and Fisheries Modernization Act
AusAID	–	Australian Agency for International Development
BIMP-EAGA	–	Brunei Darussalam, Indonesia, Malaysia and Philippines East ASEAN Growth Area
CG	–	Consultative Group
COA	–	Commission on Audit
COS	–	Country Operational Study
DECS	–	Department of Education, Culture, and Sports
DOH	–	Department of Health
ESW	–	Economic and Sector Work
GDI	–	Gender-related Development Index
GDP	–	Gross Domestic Product
GEM	–	Gender Empowerment Measure
GFI	–	Government Financial Institution
GNP	–	Gross National Product
HDI	–	Human Development Index
IMF	–	International Monetary Fund
JICA	–	Japan International Cooperation Agency
JBIC	–	Japan Bank for International Cooperation
LFPR	–	Labor Force Participation Rate
LGU	–	Local Government Unit
MDFO	–	Municipal Development Fund Office
MTPDP	–	Medium Term Philippine Development Plan
NFA	–	National Food Authority
NGO	–	Nongovernment Organization
NPC	–	National Power Corporation
OCR	–	Ordinary Capital Resources
PCER	–	Presidential Commission on Education Reform
PhCO	–	Philippine Country Office
PO	–	People's Organization
SEC	–	Securities and Exchange Commission
SME	–	Small and Medium Enterprise
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this Report, "\$" refers to US dollars.

COUNTRY ASSISTANCE PLAN (2001-2003)
PHILIPPINES

CONTENTS

	Page
I. Country Economic Performance	1
A. Economic Performance Assessment	1
B. Poverty Assessment	2
C. Assessment of Socio-Environmental Performance	3
1. Gender Issues	3
2. Human Development	3
3. Environment	4
D. Governance: Sound Development Management	4
E. Implementation Assessment	6
1. The Portfolio	6
2. Issues in Project Implementation	6
II. Country Operational Strategy	7
A. The Country Operational Strategy	7
B. Progress in Implementation	8
C. Poverty Partnership Agreement	8
III. Sector Strategies	8
A. Agriculture	8
1. Agriculture and Rural Development	9
2. Forestry and Natural Resources	9
B. Infrastructure	10
1. Energy	10
2. Transport and Communications	11
3. Finance and Industry	11
C. Social Infrastructure and Environment	12
1. Education	13
2. Health and Nutrition	13
3. Urban Development	14
4. Environment	15
D. Governance Dimensions of ADB Operations	15
E. Gender Dimensions of ADB Operations	16
F. Private Sector Development	17
IV. Subregional Economic Cooperation	18
V. Donor Activities and Aid Coordination	18
VI. Cofinancing and Catalyzing External Resources	19
VII. ADB's Operational Program	20
A. The Proposed Program	20
B. Philippine Country Office	21
VIII. Economic and Sector Work Program	22
IX. Local Cost Financing	22
APPENDIXES	24



PHILIPPINES

I. Country Economic Performance

A. Economic Performance Assessment

1. The economy experienced a gross domestic product (GDP) growth of 3.2 percent in 1999, clearly indicating a recovery from the Asian financial crisis. However, recovery has been uneven across sectors and components of demand. Thus, although the agriculture and service sectors grew by 6.6 and 3.9 percent respectively, the industry sector only experienced 0.5 percent growth in 1999. Also, the severe decline in investment, which occurred during the financial crisis, persisted in 1999. The corporate sector has still not fully recovered from the crisis, as indicated in the continued high rate of non-performing loans of the banking system, which has been persisting at around 14 percent in late 1999 and early 2000.

2. There has been considerable improvement in inflation, with inflation rates gradually receding to about 3 percent in early 2000 but increasing again in the third quarter largely due to oil price and peso depreciation. Sufficient inventory of key food items arising from the positive agricultural performance in 1999 as well as prudent monetary management are responsible for checking inflation. The large deficit (3.6 percent of gross national product [GNP]) run by the national Government did not impact much on the trend of falling interest rates because foreign borrowing was used as the mode of financing the deficit. With the fiscal constraints, the Government faces a challenge in 2000 to retain allocation shares for economic and social sectors at targeted levels.

3. The balance of payments situation eased considerably in 1999 as a result of both strong export growth, as well as active steps taken by the authorities to bolster the balance of payments through officially arranged debt. As a result, gross international reserves had risen to over \$15 billion by December 1999. The momentum of export growth, which had been robust throughout the crisis period, continued in 1999 with an export growth of 18.8 percent. With imports slowing as a result of the delayed recovery of industry, a trade surplus emerged, and despite a drop in remittances, a significant current account surplus resulted in 1999. The Government's active intervention through official borrowings and bond flotations in international capital markets helped the capital account to fare better in 1999, particularly in view of continued outflows of private capital which continued in 1999. There has been an increase in the external debt to GNP ratio (65 percent in June 1999) after the financial crisis, however, mainly as a result of the peso depreciation. This is a matter of some concern especially if the current rate of export growth, which makes debt service manageable at present, is not sustained.

4. The Government's renewed attempts to speed up structural reforms have begun to show results. Thus, the amendments to the General Banking Act which will considerably strengthen the Central Bank's supervisory authority, and the Securities Act, which will improve the functioning of the stock market, have been passed. The Omnibus Power Sector Reform Bill is also in final stages of deliberation in Congress. However, progress elsewhere has been slow, including reforms on taxation and expenditure management. While preparatory work on privatizing the National Power Corporation (NPC) has begun, legislation is yet to be enacted, and measures to strengthen the financial position of NPC prior to privatization are still pending. Pushing through with the restructuring of other government corporations such as the National Food Authority (NFA) and the Philippine National Railways (PNR) is also necessary.

5. At the beginning of 2000, prospects of continued recovery with higher growth than that achieved in 1999 were seen as a distinct possibility. Poor agricultural performance, however, led to a lackluster first quarter GDP growth rate of only 3.4 percent. The escalation of conflict in Mindanao is also likely to adversely impact on investor perceptions, the Government's ability to push through with planned development initiatives, and therefore, ultimately on growth. The Government has indicated that its expected GDP growth target for 2000 would probably be at the lower end of the projected range of 4 to 5 percent. The recovery process could also be affected by slow progress on key reforms initiated by the Government after the advent of the crisis.

6. The two-year standby arrangement with the International Monetary Fund (IMF) which was to end in March 2000, has been extended six months by the Government. Since the Government was unable to meet the stipulated fiscal deficit target of ₱62.5 billion, the Government decided not to apply for the release of the last tranche of \$314 million. The Government and the IMF have therefore agreed to a non-loan monitoring program which would be limited to regular assessments by IMF without entailing any performance criteria.

B. Poverty Assessment

7. High incidence of poverty continues to persist in the Philippines and may have increased as a result of the El Niño and financial crisis. In the decade prior to the crisis, poverty had been slowly declining. The Family Income and Expenditure Survey of 1997 showed that poverty incidence declined from 49.3 percent of total population in 1985 to 40.6 percent in 1994 and to 36.8 percent in 1997, the latest year for which such information is available.¹ The impact of the financial crisis was exacerbated by the El Niño phenomenon. Hence, both the urban and rural sectors suffered severe shocks. Rising prices and a weakening labor market resulted in declining real income and an increase in poverty. The combination of continued high population growth rate of 2.2 percent along with negative GDP growth in 1998 led to an increase in the incidence of poverty in 1998 (37.5 percent) as compared to 1997 (36.8 percent). With inadequate recovery from the crisis, no significant downward trend in poverty incidence is likely in 1999. This is confirmed by self-rated poverty surveys conducted at various intervals over 1998 and 1999.²

8. The improvement in poverty incidence prior to the crisis was more of an urban than rural phenomenon. Between 1994 and 1997 urban poverty incidence in the total population declined from 28 percent to 21.5 percent while rural poverty incidence fell only from 53.1 percent to 50.7 percent;³ thus more than half of the rural population is still poverty stricken. While in 1994 there were twice as many poor rural families as poor urban families, in 1997 there were 2.4 times as many. This emphasizes the need for revitalizing rural areas to address rural poverty. The lowest incidence of poverty is in the National Capital Region and surrounding areas; while the highest, exceeding 50 percent, are in the Autonomous Region for Muslim Mindanao, the Central and Northern Regions of Mindanao, and the Bicol Region. The poor tend to be self-employed in agriculture and related activities in rural areas and casual laborers of all types in urban and rural areas. There is a strong link between rural and urban poverty as the urban poor are mainly rural migrants. Nonetheless, urban poverty has its own specific characteristics and needs special interventions. Policies for poverty reduction will therefore require both improved sustainable

¹ The corresponding figures for incidence of poor families dropped from 44.2 percent in 1985 to 35.5 percent in 1994 and to 31.8 percent in 1997.

² Conducted by the Social Weather Station.

³ The corresponding incidence of poor families dropped from 24 percent to 17.9 percent in urban areas while the reduction was from 47 to 44.4 percent in rural areas.

rural income generation as well as targeted programs in both urban and rural areas. The Government's Medium Term Philippine Development Plan (MTPDP) 1999-2004, emphasizes poverty reduction through measures such as promoting equitable growth, rural development, and higher social sector investments. In 1998 the Government established the National Anti-Poverty Commission and the Presidential Commission for the Urban Poor. A poverty reduction target envisaging a reduction in the incidence of poor families from 32 percent in 1997 to 25-28 percent by 2004 has been projected in the MTPDP. In support of this, the Government is developing a new poverty eradication strategy through a broad-based consultative approach supported by ADB, the United Nations Development Programme (UNDP), and the World Bank. The strategy should not only view poverty from the income angle, but also consider the broader aspects of human deprivation, development and quality of life.

9. ADB's country operational strategy (COS, see Section II for details) conforms closely to the Government's approach on poverty reduction as presented in the MTPDP. With poverty reduction a major focus of the COS, annual CAPs have been designed to specifically address the critical dimensions of poverty.

C. Assessment of Socio-Environmental Performance

1. Gender Issues

10. According to the 1999 Human Development Report, the Philippines ranked 65th out of 165 countries in the Gender-related Development Index (GDI).⁴ The Philippines ranked 45th out of 102 countries in the Gender Empowerment Measure (GEM).⁵ This represents a sharp improvement in the GDI (from 82nd in 1998) and a marginal improvement in the GEM (from 46th in 1998). In general, in comparison with regional comparators, the Philippines ranks slightly better in gender empowerment than gender development.

11. In the Philippines, as elsewhere in Asia, women have to bear the burden of household survival. They hold the primary responsibility to feed the family, to care for children and the elderly. The impact of the drought and economic crisis, of rising food prices, cost of school supplies, and generally stagnating economy, has fallen squarely on the shoulders of women who must still put food on the table. To meet these needs, more women have entered the labor force to supplement household income. This is reflected in a steady 0.4 percent percentage point increase in the female labor force participation rate (LFPR) between January 1997 and January 2000 against a 1 percent decline in the male LFPR during the same period. Special women's issues in the Philippines include the impact of globalization on women workers and the need for skill improvement, protection of domestic and home workers, and access to contraceptives.

2. Human Development

12. According to the 1999 UN Human Development Report, the Philippines ranked 77th out of 174 countries in terms of human development, as measured by the Human Development Index (HDI), a significant improvement from 82nd in 1998. In comparison with regional comparators, however, the Philippines lags in terms of human development. The Philippine

⁴ The GDI uses the same variables as the HDI (life expectancy; adult literacy; first, second and third level gross enrolment ratio; and per-capita GDP) but adjusts the variables to account for the differences in achievements between men and women.

⁵ The Gender Empowerment Measure measures the relative empowerment of women and men in economic and political life.

Human Development Report for 2000 indicates that provincial and regional HDIs have tended to follow the regional distribution of poverty, with parts of Mindanao recording HDIs on par with the poorest countries of Asia or Africa, highlighting the need to redress regional inequity. While key development indicators have improved over the past 10 years, there is scope for further advancement in life expectancy and health indicators such as infant birthweight, crude death rate, infant and maternal mortality, and access to sanitary facilities. Moreover, in the face of limited budgetary resources, rapid population growth has limited the expansion of basic services resulting in declining student-teacher ratios, increased dropouts in basic education and low achievement scores, trends that have been exacerbated by the crisis. An ADB study on the social impact of the crisis found lower enrolment rates and higher dropout rates in education. A study of the 1998 Annual Poverty Indicator Survey indicates that poor households adjusted to the shock of the Asian financial crisis and El Niño by changing eating patterns, working longer hours, and taking children out of school. Budgetary provisions for education and health after the crisis have been inadequate. This will slow improvement in the quality of basic education and reduce expansion of much needed primary health care services as well as reduce support for family planning, immunization, and feeding programs.

3. Environment

13. Environmental degradation, with its impact on health and economic growth continues to be a major challenge. All major environmental concerns (e.g., urban water and air pollution, degradation of forests and watersheds, and deterioration of marine and coastal resources) are exacerbated by the high growth rate of population. To address these environmental concerns and to meet its international commitment to sustainable development, the Government adopted in September 1996 the *Philippine Agenda 21*, as its national action plan to further integrate environmental considerations into decision making for social and economic development. Despite the economic difficulties caused by the crisis, the Government is placing emphasis on addressing environmental issues of immediate concern, such as air quality improvement and better environmental management of the Pasig River system. The Government, together with NGOs and academe, has also initiated a strengthened strategy and action plan supported by ADB and other donors, to improve the country's capacity to implement the recommendations of the Convention of Biological Diversity.

14. It is increasingly recognized that to address its environmental problems, the country needs not only increased financial investment for environment rehabilitation and improvement but also far-ranging policy reforms and enforcement measures. The major issues to be addressed include (i) further improving the legal framework for environmental management; (ii) strengthening the institutional structure both at the national and local levels for environmental planning, management and enforcement; (iii) strengthening capacity for environmental monitoring and enforcement; (iv) introducing more market-based instruments for environmental management; (v) undertaking environmental awareness and education programs; (vi) introducing demand management techniques for services such as electricity and water supply; and (vii) refining and expanding the use of "polluter pays" principle. ADB has been actively involved in policy dialogue on the reform initiatives in these areas and in addressing the country's environmental issues.

D. Governance: Sound Development Management

15. Governance, particularly corruption in public functioning, is still a major concern. The major governance issues in the Philippines are (i) tackling corruption; (ii) improving efficiency, transparency and accountability in public sector functioning; (iii) strengthening the

decentralization and devolution process; (iv) enhanced participation of civil society in policy making and public investment decisions; and (v) improvement of peace and development, especially in the Southern Philippines. The Government has recently adopted a comprehensive approach towards improving governance as described in the Ten Point Jump Start Anticorruption Program. The Program addresses major concerns including economic governance, political governance, and administrative governance. Economic governance will encompass better economic management, speedier privatization, and better regulation. Political governance will comprise furthering the devolution process, introducing greater transparency and consistency in government decision-making and eliminating graft and corruption. Better administrative governance will be attained through re-engineering and streamlining the bureaucracy; enhancing public service for better public satisfaction; establishing performance indicators and benchmark standards to judge efficiency of government performance; expanding use of information and communication technology; and sustaining an ethical bureaucracy. Targets have, however, not been set, which could be construed as a weakness in the strategy.

16. The Government considers corruption a major concern, a factor which has prompted it to emphasize good governance as an important pillar on which it rests its development efforts. Efforts to eradicate corruption from the public sector focus on the effective implementation of existing initiatives and pursuit of reforms towards reducing opportunities for corruption. These efforts include (i) deregulating and privatizing public functions; (ii) increasing transparency and public oversight of Government and public sector functioning; (iii) pursuing vigorously efforts to root out corruption from those agencies and public processes such as procurement where they mainly exist, through improved audit and other special measures; (iv) enabling better judicial functioning and equitable access to the legal system; and (v) reforming agencies which have particularly high interaction with the public such as the police.

17. Public sector functioning can be improved through measures such as simplification of procedures, adoption of strategic planning and performance-based management systems, civil service reform, and deregulation and privatization. The Philippines has made considerable progress in privatization. Apart from telecommunications, electricity distribution and water supply in Metro Manila have been privatized. The Government has embarked on a restructuring program in several other areas such as the NFA, power generation, and railways. Improved public regulation must, however, keep pace with privatization. Transparency and accountability will continue to improve with progress in the functioning of institutions such as the Commission on Audit (COA) and the Ombudsman.

18. Although considerable progress in devolution has been made since the 1991 Local Government Code, the process is incomplete and problems have surfaced. These relate to inconsistencies in pay structures between local government personnel and devolved staffs, lack of institutional and financial capacities of local government units (LGUs), complaints about inadequate revenue allotments from the national Government, and overlap in the functions of the different levels of local government. There is also a major problem in the smooth transfer of funds, including donor assistance, from the national to local government levels (see also para. 25 below).

19. The Government has initiated frequent consultations with the private sector on issues relating to economic policy and private sector participation through mechanisms such as the joint public-private business councils. The public sector is increasingly opening itself up to participation by civil society groups such as the non-government organizations (NGOs) and people's organizations (POs). Most major Government programs are now developed with the participation of NGOs and POs.

20. The Government had embarked on a major peace and development initiative in the Southern Philippines following the peace settlement with the Moro National Liberation Front (MNLF). However, the peace and development process is yet to gather momentum and has again run into serious difficulties in recent months with the renewed conflict in Mindanao. Poor capacities amongst LGU staff in general, the multiplicity of government institutions and the lack of transparency and accountability in the management of public funds, all contribute to a loss of government resources. These are compounded by overlapping functions of such institutions and the low qualification levels of such staff. Amidst these challenges, renewed efforts towards relief and rehabilitation are being undertaken, under a more comprehensive development framework for Mindanao.

21. Recently, the Philippines has been named by the G-7's Financial Action Task Force (FATF) as one of 15 countries and territories in the world that remain non-cooperative in the fight against money laundering. This is primarily caused by continuation of Philippine deposit secrecy laws that prevent even the central bank from effectively supervising the sector.

E. Implementation Assessment

1. The Portfolio

22. As of 31 December 1999, ADB had approved 175 loans – 162 for public sector projects and 13 for private sector projects totaling \$7.37 billion. This constitutes 8.7 percent of total ADB lending. One hundred twenty-two loans amounting to \$6.03 billion were sourced from ADB's ordinary capital resources (OCR) and 40 loans totaling \$1.11 billion were from the Asian Development Fund (ADF). Of the 162 public sector loans approved for the Philippines, 118 have been closed as of 31 December 1999. Following the country portfolio review of 1999, \$126.7 million was cancelled from ADB's undisbursed portfolio as part of the "spring cleaning" process. Another \$59.3 million has since been identified for cancellation.

23. As of 31 December 1999, ADB had provided technical assistance (TAs) for 263 projects amounting to \$111 million. Of these, 118 were for project preparation and 145 were advisory. A large share both in terms of amount and number of total TAs approved has been extended to the agriculture and natural resources, and social infrastructure sectors. There has been a sharp increase of late in the share of TAs in the social infrastructure sector, in keeping with the greater emphasis on social infrastructure in the country strategy. As of end 1999, these TAs accounted for 33.3 percent in terms of number and 37 percent in terms of amount of the total ongoing TAs to the Philippines. Other sectors that remain important are agro-industry, finance, and physical infrastructure sectors. In recent years, the TA program has emphasized capacity building for development management and for strengthening planning, policy formulation, and administrative capacities of development agencies. A cluster of three TAs for development of capacity building in LGUs is being provided, the first of which, for improving public finance and planning capacity, is currently ongoing.

2. Issues in Project Implementation

24. Project implementation in the Philippines has been weak, particularly after the financial crisis, and needs improvement. The most common problem is implementation delay caused by delay in loan effectivity, recruitment of consultants, procurement, policy reform, and disbursement. Sixty-nine ADB-assisted projects in the Philippines have been postevaluated. Of these, 30 projects (43.5 percent) with total lending of \$785 million (38.8 percent) were rated as

“generally successful” and 26 projects (37.7 percent) with total lending of \$918 million (45.4 percent) as “partly successful.” Thirteen (18.8 percent) of the postevaluated projects with total lending of \$320 million (15.8 percent) were rated as “unsuccessful.” In comparison with the ADB-wide average of 11.3 percent, the share of unsuccessful projects in the Philippines is high.

25. Postevaluation studies reveal that the major reasons for the “unsuccessful” projects were (i) agriculture – inadequate preparation and design, lack of beneficiary participation, institutional weaknesses, inadequate maintenance, and external factors such as natural calamities and falling agricultural prices in world markets; (ii) finance – development banking projects initiated during the recession in the 1980s, and inadequate autonomy experience of participating institutions in loan appraisal and supervision; (iii) social infrastructure – lack of a systemwide approach in designing water supply projects is necessary to remedy situations of high non-revenue water; and (iv) transport and communications – institutional weaknesses and lack of commitment by the executing agency resulting in major delays in implementation, cost overruns, inadequate technical appraisal, and poor maintenance performance. Recent portfolio review exercises have also revealed that performance of projects devolved to LGUs remains an important concern, due to (i) inadequate capacity of LGUs, and often insufficient commitments owing to frequently changing LGU administrations; and (ii) the deficiency in the funds channeling mechanism through Municipal Development Fund Office (MDFO). Given that more projects would be devolved to LGUs, the importance of this issue has been well recognized by the Government. Further efforts on the part of the national government at initiating more meaningful measures for devolution and strengthening capacities of LGUs, improving LGU project implementation performance, and strengthening the functioning of MDFO are, however, necessary. Some of these issues, particularly compliance with loan covenants on policy reforms, government procurement procedures, and better financing and implementation mechanisms for projects devolved to LGUs were raised during the 2000 Country Portfolio Review Mission (CPRM).

26. Efforts to improve project implementation of ongoing projects have been intensified in the last few years. Apart from undertaking a more thorough portfolio review exercise, a process of joint portfolio reviews with the World Bank and JBIC has been initiated since 1999. Special emphasis has been placed on reducing under-performing projects, speeding up disbursement, and improving quality control at entry. New initiatives are being made to improve project preparedness before loan approval, and to cancel non-performing loans or loan components whenever these are detected. In response, the Government has also taken several important initiatives to improve portfolio performance. These include (i) improving coordination, supervision, and facilitation of implementation through strengthening the Presidential Committee on Flagship Programs and Projects, (ii) streamlining the procurement approval procedure, and (iii) strengthening legal and financial support for executing agencies to tackle right of way and land acquisition problems. The recent escalation of conflict in Mindanao, unless quickly resolved, may have serious implications on implementation performance of ongoing projects in Mindanao.

II. Country Operational Strategy

A. The Country Operational Strategy

27. ADB’s Country Operational Strategy (COS), which was revised in 1998, conforms closely to the Government’s new development priorities outlined under the MTPDP released in 1999. The strategy places increased importance on poverty reduction and social development. In particular, the strategy envisages that ADB’s assistance program should concentrate on

promoting equitable growth, better provision of basic social services such as health care and basic education, and management and protection of the environment. Promotion of equitable growth would require increased attention to rural development, more balanced regional development, with special emphasis on the Southern Philippines (provinces in Mindanao and parts of the Visayan region), and policies and programs to improve the country's infrastructure, with emphasis on greater private sector participation. Efforts to improve the quality of health services and education should focus mainly on improving people's access to primary health care and basic education. Environmental protection should focus on the management of natural resources and urban environment. Since many of these subjects are now devolved to the LGUs, it would necessitate greater interaction between ADB and the local governments. The strategy also addresses, through its sectoral focus, issues relevant to the currency turmoil, including capital market development. Sectoral reform initiatives will also assist private sector participation and restore investor confidence.

B. Progress in Implementation

28. Given the equity and social development focus of the strategy and the increased importance of ADB's policy related operations in the traditional infrastructure sectors, the annual CAPs have aimed at changing the lending composition towards poverty reduction and social development objectives. Although the incidence of poverty had been declining prior to the financial crisis, progress had been slow. The crisis is also likely to have halted the decline. Emphasis on poverty reduction is therefore crucial. Sectorally, the share of traditional infrastructure projects, especially power generation and construction of airports, ports and communication facilities, has decreased in number and volume over the last few years. Correspondingly, the share of irrigation, roads (especially rural roads), primary health care, basic education, environmental management, and urban social services (including urban water supply and sanitation) has increased (see also details of project mix in Section VII).

C. Poverty Partnership Agreement

29. Although the existing COS had already initiated a strategic shift towards poverty alleviation, a process of revision of the COS has been started to bring it further in line with ADB's new overarching strategic objective of poverty reduction. ADB, together with UNDP and the World Bank, has been supporting a countrywide internal consultation process initiated by the Government with all stakeholders. This process is expected to lead to a workable poverty reduction strategy that finds universal acceptance. This process is currently ongoing and is expected to be entered into in early 2001. A partnership agreement with the Government will then be entered into, paving the way for preparing a new COS in 2001.

III. Sector Strategies

A. Agriculture

30. With more than 70 percent of the poor residing in rural areas, poverty in the Philippines is primarily a rural problem. Rural development is essential for poverty reduction and is a key element in the ADB country strategy. However, agriculture, the mainstay of the rural population, is a lagging sector in the Philippines. The sector requires substantial increase in investments, and improved policy environment for attaining higher rural productivity. As the poor rely considerably on natural resources for their sustenance, and environmental degradation is a major concern in the Philippines, sustainable environmental management is also a major element of the ADB strategy and the subject of continuing dialogue with the Government.

1. Agriculture and Rural Development

31. Low productivity and weak competitiveness remain the key challenges confronting the sector. Raising rural productivity and profitability would require major improvements in rural infrastructure. An intensive effort should be made to improve farmers' access to productive resources as well as to quality support services, particularly those devolved to LGUs. Strengthening the sector's competitiveness is an urgent task considering the globalization trend.

32. Recognizing the urgency for revitalizing the sector, the Government enacted in 1997 the Agriculture and Fisheries Modernization Act (AFMA). AFMA commits the Government to speedy poverty alleviation, food security, sustainability, global competitiveness, and peoples' empowerment as the guiding principles of rural development. AFMA provides for increased public investment in rural facilities, including irrigation, farm-to-market roads, and rural water supply. The Government is also committed to advancing the policy and institutional reforms envisaged under the Grains Sector Development Program which aims to promote a more competitive grains sector.

33. ADB's program will respond to the urgent need to remove infrastructure bottlenecks. This approach has proven effective in raising small farmers' income. To ensure that the poor will benefit from rural infrastructure investment, ADB assistance will also stress strengthening agriculture support services through (i) improving the poor's access to effective and sustainable rural financial services; (ii) raising the competitiveness of the farming sector including small farmers in the face of globalization; and (iii) improving research and extension services through innovative institutional and funding mechanisms and increased private sector participation (e.g., provision of integrated production and marketing services and support for enterprise development). To remove policy and institutional weaknesses in the sector, ADB will continue to promote (i) rationalizing the institutional framework, particularly the roles of national government agencies, LGUs, NGOs, and local communities; (ii) establishing adequate mechanisms to channel additional funds to LGUs for devolved activities; (iii) building LGUs' capacity for planning, implementation, and coordination of development projects; and (iv) expanding community-level involvement in the entire process of project design, implementation, and monitoring through improved collaboration with NGOs and POs.

2. Forestry and Natural Resources

34. The majority of the rural poor in the Philippines continue to rely on diminishing natural resources for their source of livelihood. Improving the poor's income and living standards will require well-targeted interventions promoting sustainable production technology and providing alternative livelihood and basic social services to the resource-dependent communities. At the same time, efforts should be made to rehabilitate the economic and environmental value of degraded natural resources, such as denuded watersheds and overfished coastal waters. Government's strategy in the area of natural resources management includes (i) institutional change with the convergence initiative (involving closer interaction between the Departments of Agriculture, Agrarian Reform, and Environment and Natural Resources) as its centerpiece; (ii) adoption of environment-friendly technologies and practices; (iii) better management and allocation of natural resources; and (iv) strengthening the use of economic instruments for protection of natural resources and the environment. An array of legislative action to support this strategy has also been planned.

35. While supporting such interventions, ADB will stress (i) adoption of an appropriate policy environment; (ii) establishing an adequate institutional framework by rationalizing the roles of

national government agencies, LGUs, NGOs, and local communities; and (iii) promoting community-based resource management by advancing decentralization and promoting greater local participation. In supporting water resource development, ADB assistance will focus on both augmenting water availability through better environmental management of watersheds as well as improving water use efficiency. The latter objective would require (i) upgrading and rehabilitating existing irrigation schemes (i.e., through the provision of support in the rehabilitation of watersheds of existing irrigation systems); (ii) improving cost recovery for operations and maintenance of national and communal irrigation systems (i.e., through the formulation of market based instruments to capture the value of the water resources generated through the maintenance of the watershed area); and (iii) strengthening the capacity of community organizations, including irrigators' associations, for effective water resource management. ADB's interventions in the forestry sector will be aimed at helping the poor in the target upland areas, including the indigenous cultural communities, develop more sustainable agriculture and forest-based livelihood activities and gain access to basic support services in community-based forestry management (CBFM) areas. ADB will support policy initiatives to strengthen the CBFM framework, including forestland reclassification, rationalization and strengthening of tenurial instruments, and law enforcement strengthening. In supporting fisheries and coastal resource management, ADB will assist the Government in (i) addressing needs of fishermen, particularly those who are poor in managing the coastal environment and whose living standards are being affected by depleting fish stocks; (ii) reformulating a comprehensive national policy and institutional framework on the integrated coastal resource management program and in developing a national program based on the updated national policy and framework; (iii) implementing integrated coastal resource management measures to manage and conserve marine environment and coastal resources; and (iv) building the capacity of national and local agencies and community organizations involved in marine and coastal environment resource management.

B. Infrastructure

36. The country's infrastructure, particularly in rural areas, is quite undeveloped by regional standards and is a crucial factor limiting growth. Major investments are necessary in the sector including from the private sector. To make the best use of scarce resources, public investments should be directed toward areas where private investments would not be forthcoming, to focus on strategic investments that promote pro-poor growth and in developing a conducive policy and regulatory environment for increased private sector participation in the economy.

1. Energy

37. In the energy sector, one of the major ongoing structural reforms is the restructuring and privatization of the electric power industry. Government plans include (i) divestment of NPC's power generation functions to newly created government-owned companies to be sold to the private sector; (ii) introduction of competition in power generation; (iii) formation of a separate transmission company, shares of which will eventually be offered to a strategic investor; (iv) creation of a market mechanism (which will cater to bilateral contracts between buyers and sellers of bulk electric power), a spot market for short-term transactions, and a power exchange to bridge the supply/demand gap in power; (v) unbundling of distribution operations and the introduction of retail wheeling; and (vi) consolidation of rural electric cooperatives to achieve economies of scale.

38. An ongoing program loan is providing assistance in these areas. In addition, ADB technical assistance is programmed to assist in NPC privatization and in strengthening

regulation in the energy sector covering both power and gas. To improve the overall efficiency of the power industry, ADB will provide assistance to the Government to support the integration of the Luzon-Leyte grid with the Mindanao grid. While efficiency will remain a subject of concern, particularly in distribution, the main focus of ADB lending in the sector will shift to equity, i.e. providing reliable electricity to the poor and in less developed areas. Thus, in line with the ADB poverty reduction strategy, the forward program emphasizes (i) rural electrification including renewable energy options; and (ii) strengthening of transmission, sub-transmission and distribution in less developed areas. Special efforts will be made to help the Government establish a sustainable institutional structure and financing mechanism for rural electrification. Environmentally sound development of the energy sector will be pursued.

2. Transport and Communications

39. Key concerns of the strategy in the transport sector include (i) improving intermodal and modal planning to ensure that plans and projects are appropriate to meet national development needs and contribute to poverty reduction, particularly in rural areas; (ii) raising quality and levels of investment in transport infrastructure, particularly in underserved rural areas, and ensuring proper maintenance; (iii) promoting appropriate institutional restructuring and capacity building within mainline government agencies and local governments; (iv) enhancing transport safety; and (v) increasing participation by the private sector. While the Government's MTPDP does address most of these areas, its investment program rests on somewhat optimistic assumptions about investment by the private sector and LGUs, particularly in road development as the policy framework for enhanced participation by both is not yet firmly in place.

40. In the road subsector, ADB will support the formulation of a policy framework for a rural roads investment program to promote rural development and reduce poverty. Efforts to improve the utilization of resources will be made while also improving quality assurance measures, strengthening routine and preventive road maintenance activities, and addressing axle overloading. These efforts will come in addition to ADB's continued support for strengthening highway planning and improved sector management and operations. As a rule, ADB will continue encouraging private sector participation. In the Metro Manila area, ADB is providing capacity building assistance in traffic engineering, management and enforcement, and in transport planning. ADB has also provided assistance to prepare an intermodal national transport strategy; and transport policy action plan, which identifies future assistance to the sector and highlights the critical need for private sector participation.

41. ADB is providing assistance to the civil aviation subsector through ongoing projects, to streamline operations (including to remote areas), promote restructuring of the Air Transportation Office, and improve regulation and safety standards. The railway and road subsectors could offer opportunities for ADB involvement in promoting sector restructuring, regulation, and public-private partnership in the future.

3. Finance and Industry

42. The Philippines will need to actively pursue reforms in the finance, corporate, trade, and investment sectors if it is to sustain recovery and remain competitive. Improving external and domestic competitiveness will be the crucial test of the effectiveness of the reforms. The Government's medium term strategy articulated in the MTPDP recognizes this and focuses on establishing and developing globally competitive industries; and increasing employment opportunities, particularly in the countryside and poverty endemic areas. Policies include further liberalization of trade and investment; strengthening links between government, private sector and

civil society; developing appropriate technologies; strengthening small and medium enterprises (SMEs) and increasing their access to financing; and promoting competition. In the area of capital market development, the Government's areas of focus include strengthening secondary markets and credit rating; developing the bond market; promotion of contractual savings and pension funds to generate long term savings; encouraging private sector institutions in housing finance; and development of mortgaged securities.

43. ADB assistance envisages support for two main areas: financial sector reforms with particular focus on non-bank financial sector development; and industry and trade development with a focus on fostering greater competitiveness, including development of small and medium enterprises. In addition, support for corporate and financial restructuring will also be considered. In the *financial sector*, concerns include capital market development, systemic risk, regulatory consistency, strengthening prudential regulations, and better supervision. Improving the efficiency of financial intermediation is also necessary. Of crucial significance is the role of capital markets in efficient resource mobilization and risk diversification. However, the Philippines' capital markets require improved governance and rationalization of regulatory and institutional structures. Capital market development will focus on reforms in debt and equity markets and other non-bank financial institutions. Recent ADB and other studies indicate that reforms in corporate governance are necessary. Inadequate transparency and disclosure of financial information contributing to lax enforcement, is an area of major weakness. Technical assistance will be extended to support reforms in the debt and equity markets to increase disclosure requirements, strengthen rules and regulations, and support enforcement efforts and measures to professionalize the management of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange. Attention to developing financial markets for responding to private sector provision of infrastructure at the local government level is also an important objective. While considerable progress has been made in liberalizing the industry and trade sector, several distortionary and protectionist practices remain. Trade liberalization needs to be pursued in the agriculture sector to improve competitiveness, promote efficiency in resources allocation, and reduce poverty. Increasing value added in exportables is another important objective requiring SME development, including attention to the financial structure for export activities and enhanced business advisory services. Other important objectives which should be pursued include creating a level playing field by providing effective investment incentives and instruments to efficiently allocate resources beyond special economic zones; and developing an appropriate competition policy to promote contestable markets through removal of entry barriers and restrictive trade practices. These issues are part of an advisory technical assistance (ADTA) study currently being provided. The findings would provide the basis for a sector development program in the future.

C. Social Infrastructure and Environment

44. The Government and ADB acknowledge that a robust population control program is a prerequisite for ensuring that the gains achieved in social development and environmental protection are sustainable and assist in poverty reduction. The Government's commitment to this policy is becoming more explicit as evidenced by its articulation in the MTPDP. Opportunities for policy dialogue in this area are thus expected to increase and technical assistance for capacity building activities has been programmed. Sector strategies in the social sector including the environment, will aim at preserving and further improving the advances made in the key socioeconomic indicators in the medium term. In addition, a key concern is balanced regional development with attention to urban issues as the majority of Filipinos are now residing in urban areas.

1. Education

45. Limited budgetary resources and rapid population growth have limited improvements in basic education services. In recent years, insufficient investment in basic education has been accompanied by a decline in education quality, continued low retention rates, and increasing class sizes. This could adversely affect Philippine competitiveness in the world economy. The major issues affecting education are the poor management of resources across the sector, low education quality, the haphazard expansion of higher education at the expense of basic education, and inequitable access at all levels. To improve quality and reduce inequities in basic education, the Department of Education, Culture and Sports (DECS) has embarked upon a process of decentralization. The Presidential Commission on Education Reform (PCER) recommends the urgent reform of higher education in order to rationalize the system and reduce public funding to universities. A phased withdrawal of public funding from higher education is recommended.

46. ADB operations in the sector will focus upon poverty reduction and enhancing global competitiveness. The recommendations of the PCER for fundamental education reform will be supported to effect efficiency, quality and equity improvements in basic education, higher education and skills training. More effective management and use of resources will be encouraged through the reform of education financing, restructuring of higher education, rationalization of the skills development system, and decentralization. In DECS, Commission on Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA), the capacity of the central level to develop policy, assure quality, and monitor and evaluate the system will be strengthened. At the same time, the focus on school based management and learning centered curriculum will be supported. In higher education, the emphasis will be on better quality and increased cost recovery, with the eventual aim of freeing more resources for basic education. To offset the impact of higher fees on low-income families, scholarship programs will be expanded. A similar strategy will be followed in skills training, where support will target greater private sector involvement and more scholarships. The priority in basic education will be expanding access of undeserved and marginalized groups, improving the quality and relevance, improving efficiency and effectiveness, institutionalization of early childhood education, and strengthening local culture and sports.

2. Health and Nutrition

47. New challenges have emerged as a result of changes in the pattern of diseases and institutional structure. The high population growth rate is affecting development and contributing to high poverty. While infectious disease remains a threat, non-communicable diseases such as cancer and cardiovascular disease have emerged as important causes of mortality. Continued high incidence of tuberculosis is a concern in the Philippines, particularly as it affects the poor disproportionately. The devolution of health services to LGUs requires intensive efforts to strengthen their planning and management skills. At the national level, the Department of Health (DOH) needs to provide technical leadership for national health programs, develop national health policies, and introduce efficient monitoring. There has been over-emphasis on curative rather than preventive health care services and health promotion. Serious geographic inequities also exist. Attention to social insurance reform is required owing to the high costs of treatment of chronic illnesses for the poor and the inadequacy of the social security system. Health care financing initiatives, including improved cost recovery, better targeting of subsidies, closer cooperation with the private sector, and development of health insurance and other risk sharing schemes, are needed. Improved regulation is necessary to enable better provision of services by the private sector. The high population growth rate of 2.2 percent has contributed to

deteriorating quality of education and health services, accelerating urbanization, pollution, and environmental degradation. There is evident need for reproductive health services and demonstrated unmet demand for family planning services. Increased attention to population issues and related programs is therefore necessary and will be achieved through intensified dialogue with the Government and civil society, and through focused investments. The Government's medium term development strategy in the health sector addresses several of these concerns. It emphasizes enhancing support capacities for devolved health care, improving health care financing, implementing an action agenda for improvement of nutrition standards, and integrating population management as an integral part of development policies and programs.

48. In the medium-term, ADB's priorities are to assist the Government to manage (i) the transition of DOH from top-down service provider to catalyst of preventive and promotive services for the poor, with special attention to prevention of chronic diseases and occupational illnesses, and as an enabling facilitator in the sector; (ii) the transition of public health personnel to LGUs through local health partnerships, with attention to the reorganization of the public health service and merit-based career paths; (iii) the transition to more accessible and affordable health care through prudent health financing reform; and (iv) efforts at improving public and private partnership. These priorities have been highlighted in the 1999 Philippine Health Sector Study (PHSS) jointly undertaken by ADB, the World Bank and the Government and are reflected in the loan and technical assistance projects in the forward program.

3. Urban Development

49. The Philippines has one of the highest rates of urbanization in the world, with the urban population growing at an annual rate of 5.14 percent. The rapid pace of urbanization has stretched the capacity of urban infrastructure services, and facilities to their limit. This has resulted in both increased levels of service deprivation, particularly among the urban poor and environmental degradation. It is estimated that about 35 percent of the urban population are squatters and slum dwellers, living in unserviced or poorly serviced communities. It is therefore necessary to place high priority on continued policy interventions and effective investment in urban development to help the urban poor get access to basic urban services. Special emphasis should be given to assist the weak LGUs whose capacity to provide basic urban services is limited. The Government's medium term strategy focuses on providing shelter to the urban poor and on greater allocations of public resources for socialized housing.

50. Based on the policy framework developed through the TA for the National Urban Policy Framework, ADB will continue to support the Government's urban sector policy reforms. This support will include (i) assisting the Government in strengthening the institutional structure and capacities; (ii) rationalizing the financing mechanism for urban development under the decentralized government system; (iii) building financial, institutional, and administrative capacities of LGUs; (iv) promoting public-private partnerships for development of urban infrastructure and delivery of urban services; and (v) encouraging an integrated approach to urban development initiatives. Poverty alleviation, upgrading basic urban infrastructure, and sector policy reforms will be the key focus in the formulation, design, and implementation of urban sector projects. Enhancing urban poor communities' access to municipal services, housing, and land tenure, and improving the urban environment will operationalize this strategy through loan and TA projects in the program.

4. Environment

51. As stated above, the major issues in the sector are inadequate policy and legal framework, and weak institutional capacity at the national and local levels for environmental planning, management, and enforcement. There is also a need to promote environmental awareness and introduce more market-based instruments for environmental management. The Government's strategy for environmental protection is comprehensively dealt with under the *Philippine Agenda 21* while ADB's medium-term strategy for the sector is mainly provided under policies for protection of natural resources (see Sections I.C.3 and III.A.2 above).

52. ADB's operations will continue to focus on advancing reform initiatives needed for establishing a more effective policy and institutional framework. In doing so, ADB will support interventions that will link poverty reduction and environmental management through optimizing participatory planning and implementation. In promoting terrestrial and marine resource management, ADB support will aim at directly benefiting the poor who rely on the natural resource base for their livelihood. ADB will also assist the Government in developing new frameworks for bringing together the local communities, the private sector, and the Government to achieve optimum benefit for poor local communities while preserving biodiversity. In addressing the urban environment problems, ADB will continue to support the Government's efforts, particularly air pollution in large regional urban centers, which has a detrimental effect on health, particularly of the poor. To promote pollution control, ADB will provide technical assistance to help the Government develop appropriate industrial and environmental policies (such as ensuring that the power sector complies with the Clean Air Act) to promote cleaner production and advance technology transfer of cleaner production technologies. Furthermore, urban environmental concerns will be addressed in urban development projects in general, which will have components for solid waste, water supply and sanitation, and land use.

D. Governance Dimensions of ADB Operations

53. Through its operations, ADB is addressing each of the concerns on governance which have been highlighted in Section I.D.

54. In the area of anticorruption, attention will be focused on improving the functioning of the COA so that it can play a more effective role in improving the accountability of public expenditures and preventing corruption. To enable the Government to put in place appropriate check and balance mechanisms, COA will need to play a key role. At the same time, it is important to improve public sector procurement to improve efficiency and reduce opportunities for corruption.

55. To improve public services, it is necessary to (i) accelerate privatization or restructuring of public enterprises such as NPC, NFA, PNR; (ii) improve capacity of regulatory agencies such as the Energy Regulatory Board, Air Transport Office, MWSS, SEC, Philippine Deposit Insurance Corporation (PDIC); and (iii) strengthen implementation of high priority public sector projects through capacity building of the Presidential Committee on Flagship Programs and Projects. On the latter, continued dialogue on improving project implementation performance is being maintained through the CPRM process, which has been intensified. The key policy that needs to be pursued is to reduce the role of the Government in directly providing services while improving efficiency of the functions that need to be retained by the Government.

56. To assist the decentralization process, ADB will promote devolution of national government activities. The transparency and predictability of transfer of development funds from

the national to local governments has to be improved, and the capacity of local governments in planning, implementing, and financing development activities needs to be strengthened. ADB is undertaking an increasing number of projects involving participation of local governments which will further strengthen the process of decentralization.

57. ADB is encouraging greater participation by the private sector, NGOs and civil society groups in matters of public concern. This is being achieved through their increased participation in the design and implementation of ADB projects in the country, including country strategy formulation, the CAP process, and seminars and workshops on important development issues. With regard to ADB-supported projects, arrangements will be made to enable civil society participation in all stages of the project cycle, including project identification, formulation, implementation, and evaluation.

58. ADB is actively engaged in furthering the development efforts in the Southern Philippines. It has been one of the most active donors in the area and its ongoing and forward program has several initiatives focusing specifically on the area's development. Projects are being taken up, despite difficulties, particularly in areas affected by civil strife that are greatly lagging behind in development. The Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) process (see Section IV below) is also being revitalized through TA projects.

59. On money laundering, ADB supports current reform initiatives that give more power of supervision to the *Bangko Sentral ng Pilipinas* (Central Bank of the Philippines). As this has recently been disclosed as a concern by G7's FATF, ADB will pursue this issue in its policy dialogue with the Government, particularly in the context of its financial sector operations.

E. Gender Dimensions of ADB Operations

60. ADB operations are increasingly based on strong community participation, particularly that of women who play a dynamic role in community based organizations. Although overall gender equity is high, regional disparities exist, particularly in the Southern Philippines. ADB operations will assist in closing gender gaps, particularly in the Southern Philippines, in key areas such as access to basic social services including education, health and water as well as to productive means, financing, and opportunities. The proposed Mindanao Basic Education Development Project and the Education Sector Development Program will try to narrow gender gaps in education. The proposed Mindanao Community Based Forest Resources Management Project will address women's needs as providers and caretakers of the environment. The proposed Upland Communities Development and the Rural Microfinance Projects will assist in the income generation needs of poor women, who are expected to participate prominently in the activities supported by these projects. By extending basic municipal services to households, the proposed Mindanao Basic Urban Services Project and the Development of Poor Urban Communities Project will greatly ease the domestic burden of women. Women's concerns about the impact of globalization on the labor force will be addressed through the Technical Education and Skills Development Project. The Project prepares workers through formal technical education and provides the opportunity to female workers who are unlikely to go back to school with the opportunity to increase their skills through non-formal education. This is of increasing importance to older female workers who are more likely to be unskilled and more easily displaced in an increasingly competitive labor market. Women's health issues are being addressed through ADB's ongoing Women's Health and Safe Motherhood Project and will be addressed through the Health Sector Development Program and Reproductive Health Program.

F. Private Sector Operations

61. The Philippines is one of the DMCs where ADB has been most active in providing direct support for private sector enterprise. Since the start of ADB's private sector operations in 1983, 19 projects have been financed in the Philippines, with loans, complementary loans, and equity investments totaling \$274 million. The Philippine private sector operations have included support for development finance, capital market development, and infrastructure (power generation and water supply). Assistance was also provided for agro-industry, mining, and manufacturing till 1995 when ADB's private sector operations shifted away from these sectors.

62. ADB's COS accords increased importance to poverty reduction and social development. To ensure promotion of equitable growth, which is considered crucial, improvement of infrastructure is required. Increased private sector involvement in the economy and in infrastructure development, in particular, is considered a key element of the strategy. Hence, the strategy places considerable emphasis on assisting the Government in its privatization program and in creating the necessary enabling environment for greater private sector participation. Mobilizing market resources and channeling them effectively to the most productive and high priority areas such as infrastructure remain a challenge in the country. Hence, the strategic thrust of ADB's private sector operations for the Philippines will continue to be on infrastructure and financial intermediation.

63. Basic prerequisites for the efficient functioning of the private sector are the development of the capital market and financial infrastructure; deregulation of industry, trade, and investment; and adoption of appropriate policies conducive to efficient market functioning. No private initiative will be forthcoming unless an appropriate legal framework and sectoral policy reforms, including deregulation and privatization, are in place. ADB will consider financial assistance and advisory services to catalyze the privatization of selected state-owned enterprises. Privatization of the public sector, especially in areas where private entities can perform better, such as power, transport, water, and municipal services, is a key issue and needs careful monitoring and facilitation. A need has also been identified to improve capacity at the regional level to identify infrastructure projects for Build-Operate-Own/Build-Operate-Transfer (BOO/BOT) financing and to attract sponsors to undertake these projects. ADB has engaged in policy dialogue in these areas in the past and proposes to continue the process.

64. In infrastructure, the focus in private sector operations will be on projects financing to address critical bottlenecks in such sub-sectors as power generation and transmission, water supply and wastewater treatment, solid waste management, transport, and rural telecommunications. In line with ADB's commitment to poverty reduction, priority will be given to extend basic services to depressed communities (such as the recently approved Maynilad Water Services Project). Support will also be considered for private investment opportunities arising from the Government's privatization exercises, particularly those involving ADB assistance such as the privatization of the NPC. With regard to financial intermediation, the emphasis will be on projects that facilitate financing of micro and small enterprises, as well as those that support ADB's proposed capital market development program. Overall, efforts will be exerted to identify and pursue projects that could demonstrate the success of ADB's public sector programs designed to create enabling conditions for the private sector. Since private sector projects cannot be pre-programmed, the success of ADB's private sector operations will depend on emerging market opportunities and the availability of willing investors.

65. ADB will continue to review its existing private sector portfolio in the Philippines with a view to disposing of selected loans and equity investments to enable ADB to recycle its

resources. Divestment will be subject to the following consideration: (i) that ADB's development role in the project concerned has been fulfilled; and (ii) that market conditions are appropriate for the divestment.

IV. Subregional Economic Cooperation

66. The Philippines is a member of the BIMP-EAGA which was created in 1994 with a view to enhance regional cooperation by making use of (i) cross-border complementarities and economies of scale in production, (ii) joint infrastructure provision, and (iii) closer cooperation in trade and finance. Philippine constituent areas in BIMP-EAGA are the islands of Mindanao and Palawan. Mindanao's numerous small-and medium-scale entrepreneurs could find new trade outlets in the BIMP-EAGA region or collaborate with entrepreneurs in other EAGA countries to access inputs, raw materials, and technology to improve competitiveness of their products. However, the physical infrastructure in the region is still largely inadequate; major investments in BIMP-EAGA, apart from tourism, have not been undertaken. Economic complementarities are actually constrained and capacities to enhance regional economic cooperation among the member countries are still weak.

67. The BIMP-EAGA initiative has aroused considerable interest among private investors, including foreign investors. However, actual investment flows have not been significant so far, due to inadequate progress in infrastructure development, and the temporary dampening of economic activity caused by the economic crisis. Plans to improve transport infrastructure linkages, particularly in air transport and shipping, are now under implementation. ADB is assisting the Government in the development of roads and airports, in social development, in capacity building initiatives for local governments in the area, and in the development of private sector activity. As the recent economic crisis in the region subsides, economic activity has resumed in most countries in the ASEAN region, and the BIMP-EAGA initiative could gain momentum if supported, provided the current conflict in Mindanao is not prolonged. ADB is resuming TA assistance for capacity building of the Mindanao Economic Development Council in its new role as coordinating office for the BIMP-EAGA. A RETA for developing SMEs in the BIMP-EAGA area is also underway.

V. Donor Activities and Aid Coordination

68. The consensus among donors is to promote a more equitable sharing of the benefits of economic growth, reducing poverty at a faster pace, and enhancing self-reliance and service delivery capacities of local governments. As of December 1999, there were 185 ongoing donor assisted projects in the Philippines involving investment of \$12.2 billion. Japan remains the largest donor to the Philippines, accounting for 50 percent of the total donor commitments, followed by ADB (25 percent) and the World Bank (21 percent).

69. Japan provides official development loans and untied loans through JBIC, and grants and technical assistance through the Japan International Cooperation Agency (JICA). Japan's country strategy for official development assistance emphasizes (i) strengthening of economic infrastructure, especially in power, transport, and industry; (ii) poverty reduction and regional development through promoting rural development and improving basic social services; (iii) environmental conservation and disaster management; and (iv) human resource development.

70. The main thrust of the World Bank's current country assistance strategy for the Philippines is reducing poverty through restoring economic growth and improving equity. The following seven areas have been identified as its operational priorities: (i) economic recovery;

(ii) human development and social services for the poor; (iii) rural development, (iv) urban development and urban poverty; (v) infrastructure development, particularly in the provinces; (vi) private sector development; and (vii) governance, including anti-corruption.

71. The UN agencies (UNDP, UN Children's Fund [UNICEF], and UN Population Fund [UNFPA]) are active in poverty alleviation, environmental improvement, good governance, human development, child welfare, and family planning. UNDP, in cooperation with bilateral donors, has been actively supporting post-conflict peace building and capacity building of Muslim communities in Mindanao to initiate a process of sustainable development.

72. The major bilateral donors to the Philippines include the United States, Australia, and Germany. Through the United States Agency for International Development (USAID), American assistance aims at promoting economic transformation in Mindanao, trade and investment, health and family planning, environmental management, and participation in public policy. It is also involved in policy work in capital market development. The Australian Agency for International Development (AusAID) mainly supports rural income generation, health, education and the environment. Geographically, Australian assistance focuses on the Southern Philippines, particularly Mindanao. German assistance gives priority to natural resources management, vocational training, industrial and urban environmental management, maritime safety, and health and family planning. It is also active in promoting small and medium enterprises (SME) development. The assistance will focus on the Visayan region, with specific measures for Muslim Mindanao.

73. Annual consultative group (CG) meetings provide opportunities for the Government and donors to conduct policy discussions on the Government's socioeconomic management of the economy and coordinate foreign development assistance. The 2000 CG meeting was held in Tagaytay City, Philippines, in June 2000 where donors pledged a total of \$2.6 billion in assistance. In addition to CG meetings and general coordination activities during programming and project processing, donors to the Philippines have been collaborating closely to improve the performance of the Official Development Assistance (ODA) portfolio, particularly since 1999 (see also para. 26), and in important strategic areas such as poverty alleviation (see also paras. 8 and 29 above).

VI. Cofinancing and Catalyzing External Resources

74. The Philippine Government's cofinancing strategy for the medium term is to maximize cofinancing from market sources for revenue-generating projects while continuing official cofinancing to the extent possible for projects in the social sectors. This meshes well with the current COS focusing more on the social sectors and less on commercially viable sectors, such as energy and urban water supply, which can rely on market cofinancing. The Asian Currency Crisis Support Facility (ACCSF) has provided convenient guarantee facility for cofinancing from commercial sources and has also enabled access to additional technical assistance funds, which the Philippine Government is keen to utilize to the maximum extent feasible.

75. Significant cofinancing has been a regular feature of the annual programs for the Philippines. This has included both official and commercial cofinancing. In 2000, the Transmission Interconnection and Reinforcement Project is likely to be cofinanced by JBIC in the amount of \$100 million, and commercial cofinancing of \$330 million under ACCSF guarantee is also being sought. Cofinancing has also been arranged for the Pasig River Environmental Management and Rehabilitation Sector Development Program. The CPM for 2000 has targeted achieving annual cofinancing levels of about 50 percent of the lending levels in the program for 2001-2003. Projects

for cofinancing in the forward programs include Mindanao Basic Urban Services Sector Project (2001), Rural Electrification Project (2002), and Integrated Coastal Resources Management Project (2003). Considerable cofinancing is also expected in ADB's private sector projects in the Philippines, including through the use of ADB's Complementary Financing Facility.

VII. ADB's Operational Program

A. The Proposed Program

76. For 2001-2003, the proposed lending program includes 16 projects for a total amount of \$945 million against an indicative planning figure (IPF) of \$900 million (\$1,080 million with 20 percent over-programming allowance, see Appendix 4). The annual IPF for the Philippines has been scaled down from \$400 million in the past to \$300 million taking into account past disbursement performance and the high level of undisbursed balance which stood at approximately \$1.7 billion at end 1999. The projects in the 2001-2003 pipeline are based on the current COS and the current recovery needs of the economy. Project selection has also considered past implementation performance and capacities of executing agencies. Though predominantly project loan based, the program contains a mix of all lending modalities: project loans, program loans, sector development program loans, and loans through government financial institutions (GFIs). Program loans constitute less than 20 percent of the overall 2001-2003 program size. Components of several loans, particularly in the social sector, are being channeled through the national Government or GFIs to local governments.

77. The proposed project mix in the program shows an emphasis on socio-environmental development and poverty alleviation (see Appendix 5). For the year 2001-2003, 50 percent of the 16 projects are either classified as core poverty intervention or poverty intervention. Projects having crosscutting environmental or human development concerns constitute 50 percent by number in 2001 and 58 percent in 2002-2003. The sectoral allocation of projects shows that projects focusing on social infrastructure, agriculture and natural resources comprise 75 percent by number in 2001 and 58 percent in 2002-2003.

78. The program addresses poverty reduction through a strategic emphasis on areas lagging in development, and through incorporation of strong anti-poverty features on project design. The program gives priority to the development of the Southern Philippines which has a high incidence of poverty. Thus, three projects are dedicated solely to Mindanao. Several others have large Mindanao components. The program includes several projects which emphasize rural development. For example, rural poverty will be addressed through development of Infrastructure for Rural Productivity Enhancement Sector Project (2001), Rural Roads (2002), Rural Electrification (2002), Rural Microfinance (2003), and Strengthening Transmission Systems for Rural Electrification (2003). The proposed Mindanao Community-based Forest Resource Management Project (2002) and Integrated Coastal Resources Management Project (2003) will assist development of poor upland and coastal communities respectively, as well as address environmental concerns. Attention is also being given in the program to address urban poverty concerns through the Development of Poor Urban Communities Project (2002) and Metro Manila Urban Services for the Poor (2003), in particular. The program also attaches high priority to the basic human development needs of the poor through its human development projects in health and education.

79. The forward TA program is balanced between project preparatory assistance and advisory assistance. Of the latter, areas covered include policy and capacity building assistance to the national and local governments. Policy areas being considered are governance (judicial

reform and local governance), trade policy, and the environment. Capacity building assistance is proposed to assist the Government in regulation and cost control of the natural gas sector; further assistance to the Philippine Deposit Insurance Corporation; strengthening private sector participation in education; assistance to the local ARMM Government in Mindanao; and for strengthening local government capacities in a phased manner through a cluster of TAs (in addition to an ongoing TA, two are planned in this area in 2001 and 2002).

80. The proposed loan and technical assistance pipeline for 2001-2003 is summarized in Table 1. Detailed lists of the pipeline projects are in Appendix 4, and a breakdown by type and sector in Appendix 5. Project profiles for firm 2001 loans are attached as Appendix 6.

Table 1: Lending and Technical Assistance Program, 2000-2002^{a/}

A. Public Sector Lending Program

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program^{b/}	1	3.0	4	495.0	4	265.0	6	350.0	6	330.0
OCR	1	3.0	4	495.0	4	265.0	6	350.0	6	330.0
Lending Pipeline^{c/}			7	710.0	6	365.0	6	350.0	6	330.0
OCR			7	710.0	6	365.0	6	350.0	6	330.0

B. Technical Assistance Program

	1999 (Actual)		2000 ^{d/}		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^{b/}	10	7,340.0	22	14,331.0	13	8,350.0	9	5,900.0
TA Pipeline ^{c/}	10	7,340.0	22	14,331.0	13	8,350.0	9	5,900.0

^a Although the proposed TA program has been generally agreed upon by Management, ADB financing may be subject to further reprioritization to fit in with the ADB-wide annual resource envelope.

^b The Program is comprised of firm projects.

^c The Pipeline consists of the program (firm projects) and standby projects. In 2002 and 2003, there is no distinction between firm and standby.

^d Overprogramming anticipates possible ACCSF financing for some TAs.

B. Philippine Country Office

81. The Philippine Country Office (PhCO) is being established within ADB headquarters. The PhCO will strengthen ADB's client orientation by establishing a streamlined and coordinated operational communication channel. This will contribute to advancing ADB's partnership with the Philippine government and civil society, and improving the responsiveness of ADB's Philippine operations. The visibility of ADB's operations in the Philippines will increase, particularly vis-à-vis other donors. In addition, the PhCO is expected to improve the quality of ADB operations in the Philippines by providing sharper focus on Philippine operations, better coordination, and effective representation. Policy dialogue with the Government will be elevated to higher level than is the current case, and this should enhance implementation of ADB's lending portfolio. These will assist in improving the effectiveness of ADB's poverty reduction program in the country.

VIII. Economic and Sector Work Program

82. Economic and sector work (ESW) will focus on (i) issues related to the recovery process, which is being constrained by several lingering effects of the financial crisis; (ii) a better understanding of the dimensions of poverty and a strategy for its reduction; (iii) work on governance; (iv) environmental studies; and (v) other areas of priority according to the country strategy, particularly social development and environment. Proposed ESW is summarized in Table 2 below.

Table 2: Economic and Sector Work Program

ESW Areas of Focus	Modality	Year
Recovery Process		
i. Monitoring and study of the economy, progress in reforms, and state of vulnerable sectors such as the banking and corporate sectors	Country Economic Reviews Asian Development Outlook (Country Chapter)	2001,2002, 2003
ii. Financial and Corporate Sector Development	ADTA	2001
iii. Trade Policy and Economic Governance	ADTA	2002
Poverty		
i. Analysis of dimensions of poverty in the Philippines and policy response	Staff Consultancy	2001
Governance		
i. Strategy & Policies on Governance	Staff study	2000-01
ii. Judicial Reform	ADTA	2001
iii. Municipal Governance	ADTA	2001
iv. Study of Local Government Finances	ADTA	2001
v. Financial Management of LGUs	ADTA	2002
Environment		
i. Cleaner Production Technologies	ADTA	2001
ii. Power Sector Compliance with Clean Air Act	ADTA	2001
iii. Poverty Reduction through Bio-diversity Conservation	ADTA	2002
Sector Studies		
i. Shelter sector assessment	Staff Consultancy	2001
ii. Water Supply and Sanitation	Staff Consultancy	2001
iii. Natural Gas Regulation	ADTA	2001

IX. Local Cost Financing

83. In 1999 ADB approved only one TA-loan amounting to \$3 million. There was no local cost financing involved. The program for 2000 and the forward program does, however contain local cost financing on several projects, particularly those in the social sectors.

84. Local cost financing can be justified both on country and project considerations for the programmed projects in the Philippines. In view of the shift in emphasis in the program towards poverty alleviation, more projects are being taken up in the areas of agriculture, natural

resources, human resources development, and urban development. These projects include larger shares of local currency costs than physical infrastructure projects. The Philippine Government continues to face pressure on the budget, arising from currency depreciation and reduced revenues resulting from slower growth. Local currency financing can therefore be justified in support of delivery of basic social services to effectively help reduce poverty.

PHILIPPINES
COUNTRY PERFORMANCE INDICATORS

Item	1995	1996	1997	1998	1999
ECONOMIC INDICATORS					
A. Income and Growth					
1 GNP per Capita (\$, current)	1083.6	1200.4	1166.8	909.0	1046.0
2 GDP Growth (%, in constant prices)	4.7	5.8	5.2	-0.5	3.2
Agriculture	0.9	3.8	2.9	-6.6	6.6
Industry	6.7	6.4	6.1	-1.9	0.5
Services	5.0	6.4	5.4	3.5	3.9
3 GNP Growth (%, in constant prices)	4.9	7.2	5.2	0.1	3.6
B. Saving and Investment (at current market prices) (percent of GDP)					
1 Gross Domestic Saving	17.5	18.5	19.6	22.3	19.8
2 Gross Domestic Investment	21.6	23.0	24.9	20.4	18.8
C. Money and Inflation (annual percent change)					
1 Consumer Prices (1994=100, annual average)	8.0	9.1	5.9	9.8	6.6
2 Broad Money (M3)	25.3	15.8	21.0	7.4	19.3
D. Government Finance (percent of GNP)					
1 Total Revenue	18.4	18.2	18.7	16.6	15.2
2 Total Expenditure and Net Lending	17.9	17.9	18.6	18.3	18.8
3 Overall Surplus/Deficit (-)	0.6	0.3	0.1	-1.8	-3.6
E. Balance of Payments					
1 Merchandise Trade Balance (% of GNP)	-11.7	-13.1	-13.0	0.0	5.4
2 Current Account Balance (% of GNP)	-4.3	-4.6	-5.1	2.3	9.0
3 Export (\$) Growth (annual percentage change)	29.4	17.7	22.8	16.9	18.8
4 Import (\$) Growth (annual percentage change)	23.7	20.8	14.0	-18.8	4.1
F. External Payments Indicators					
1 International Reserves (\$ billion, end of period)	7.8	11.7	8.8	10.8	15.1
- months of imports	2.6	3.2	2.0	3.0	4.2
2 External ODI	15.8	12.7	11.6	12.7	13.1
3 External Debt (% of GNP)	51.7	48.5	53.1	70.0	65.0 ^a
Memora: ODI					
GDP (current prices, billion pesos)	1906.0	2171.9	2421.3	2667.1	2989.1
GNP (current prices, billion pesos)	1958.6	2261.3	2522.9	2794.1	3137.9
Exchange Rate (P/\$, annual average)	25.7	26.2	29.5	40.9	39.1
Population (million)	70.3	71.9	73.5	75.2	76.8

^a As of April 2000.

Source: National Statistical Coordination Board, Bangko Sentral ng Pilipinas and National Economic and Development Authority.

PHILIPPINES
COUNTRY PERFORMANCE INDICATORS

	1985	1990	Latest Year
POPULATION INDICATORS			
Total Population (millions)	54.7	62.0	76.8 (1999)
Annual Population Growth Rate (% change)	2.50	3.16	2.16 (1999)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	4.4 (1984)	3.9 (1990)	3.7 (1998)
Maternal Mortality Rate (per hundred thousand live births)	213 (1980-1986)	209 (1987-1993)	180.0 (1998)
Infant Mortality Rate (below 1 year; per '000 live births)	45.3	36.8	35.3 (1998)
Life Expectancy at Birth (years)			
Female	64.9	68.8	71.0 (1996)
Male	61.3	63.6	65.0 (1996)
Adult Literacy (%)	83.3 (1980)	94 (1990)	94.0 (1994)
Primary School Enrollment (% of school age population)		84.6 (1990-1991)	89.2 (1995-1996)
Secondary School Enrollment (% of school age population)			
Female	65	-	75 (1996)
Male	64	-	71 (1996)
Child Malnutrition (% of under age 5)	33 (1982)	34	30 (1993)
Population Below Poverty Line (%)	49.3	45.3 (1991)	37.5 (1998)
Income Ratio of Highest 20% to Lowest 20%	10	11 (1991)	13 (1997)
Population with Access to Safe Water (%)	71	81	81 (1998)
Population with Access to Sanitation (%)	68	70	74 (1998)
Public Education Expenditure as % of GNP	1.8	3.1	3.9 (1998)
Public Health Expenditure as % of GDP	0.6	0.8	0.5 (1998)
Human Development Index	0.603 (1980)	0.677 (1992)	0.740 (1997)
Human Development Ranking	92	100	77 (1997)
ENVIRONMENTAL INDICATORS			
ODI			
Annual deforestation	-	-	3.4 (1980-1990)
Nationally protected area as % of land area	1.3	-	2 (1994)
Land Use: Cropland; permanent pasture (hectares)	0.18	-	0.14 (1995)
Forest Land (percent of total land area)	51.13	52.9	52.9 (1996)
Aggregate legal cut of timber (cubic meters)	-	(1992) (1992)	771,543 (1996)
Water: Coverage of coastal environmental program (hectares)	-	-	278,244 (1996)
Industrial pollution:			
Solid waste disposal sites (number)	-	-	648 (1996)
Gasoline stations selling unleaded gasoline (number)	-	-	567 (1996)
Per capita carbon dioxide emissions (metric tons)	-	0.66 (1989)	-
Air pollution in Manila (total suspended particulates, micrograms/cubicmeter)	80 (1980)	260	-

PHILIPPINES
ENVIRONMENTAL INDICATORS

ENVIRONMENTAL INDICATORS	1980	Latest Year
Energy Efficiency of Emissions		
GDP per unit of energy use (PPP \$ per kg oil equivalent)		
Traditional fuel use (% of total energy use)		
Carbon dioxide emissions (total metric tons)		0.9 (1996)
Carbon dioxide emissions (per capita metric tons)		
Water Pollution		
Emissions of organic water pollutants (kg/day)		
Industry share of emissions of organic water pollutants		
Wood (%)		
Primary Metals (%)		
Paper and Pulp (%)		
Chemical (%)		
Food and Beverages (%)		
Textiles (%)		
Water and Sanitation		
Urban percent of population with access to safe water		
Rural percent of population with access to safe water		
Access to sanitation in urban areas (%)		
Land Use and Deforestation		
Forest area (hectares '000)	9,705.0	15,002 (1996)
Average annual deforestation (hectares)	35,696 (1980-85)	21,066 (1990-95)
Average annual deforestation (% change)	135.3 (1980-85)	116.6 (1990-95)
Rural population density (people per sq km of arable land)		
Arable land (% of land area)		34.0 (1991)
Permanent cropland (% of land area)		
Biodiversity and Protected Areas		
Nationally protected areas (hectares '000)	1,477.7 (1990)	2,619.0 (1996)
Percent of total land area	4.9 (1990)	2.9
Mammals (number of threatened species)	27 (1991)	94 (1996)
Birds (number of threatened species)	125 (1991)	176 (1996)
Higher plants (number of threatened species)		(1990)
Reptiles (number of threatened species)	11 (1991)	15 (1996)
Amphibians (number of threatened species)		(1990)
Urban		
Urban population (millions)		34.6 (1997)
Percentage urban (% to total population)		50.5 (1997)
Per capita water use	ODI	
Wastewater treated (percent)		
Per capita solid waste generation (kg/day)		0.64 (1996)
Air Pollution		
City population - Metro Manila ('000)	ODI	10.2 (1999)
Total Suspended particulates (micrograms per cubic meter)	173.0 (1990)	243.2 (1998)
Sulfur dioxide (micrograms per cubic meter)	0.094 (1994)	0.2 (1995)
Nitrogen dioxide (micrograms per cubic meter)	0.164 (1994)	0.9 (1995)

PHILIPPINES
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1999)

A. Project Portfolio	Net Loan Amount \$ million %		Rating (No.) ^a									
			Total		Implementation Progress				Development Objectives			
			No.	%	HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	403	16.1	15	33.3	-	13	2	-	-	13	2	-
Energy	961	37.9	6	13.3	-	3	3	-	-	4	2	-
Finance and Industry	153	4.9	2	4.4	-	1	-	1	-	2	-	-
Social Infrastructure	623	20.7	16	35.6	-	10	3	3	-	15	-	1
Transport and Communications	301	19.5	3	6.7	-	1	2	-	-	3	-	-
Others/Multisector	296	0.9	3	6.7	-	3	-	-	-	3	-	-
Total	2,737	100.0	45	100.0	0	31	10	4	0	40	4	1

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	2,408.77	290.38	2,699.15
(2) Disbursed amount (\$ mn, cumulative, active loans only)	844.45	113.84	958.29
(3) Percentage disbursed [(2)/(1)] (%)	35.06	39.20	35.50
(4) Disbursements (\$mn, active loans only, latest year)	90.04	32.12	122.16
(5) Disbursement ratio (%) ^b	5.78	14.41	6.80

C. Net Transfer of Resources ^c (\$ million)	OCR	ADF	Total
Net transfer in 1995	-280.50	41.70	-238.80
Net transfer in 1996	-162.79	38.10	-124.69
Net transfer in 1997	-31.52	41.20	9.68
Net transfer in 1998	-15.37	13.77	-1.60
Net transfer in 1999	-292.83	15.34	-277.49

D. Post-Evaluated Projects (By Year of Approval)		1968 - 1977		1978 - 1987		1988 - 1999		1968 - 1999	
		No.	%	No.	%	No.	%	No.	%
1. Postevaluation Rating (as of 31 Dec 1999)									
Rated Generally Successful (GS)	ODI	17	63.0	7	29.2	2	20.0	26	42.6
Rated Partly Successful (PS)		8	29.6	7	29.2	7	70.0	22	36.1
Rated Unsuccessful (US)		2	7.4	10	41.7	1	10.0	13	21.3
No Rating		-	-	-	-	-	-	-	-
Total	ODI	27	100.0	24	100.0	10	100.0	61	100.0
2. Postevaluation Rating by Sector									
1968-1999 (as of 31 Dec 1999)		No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	GS	7	26.9	6	27.3	7	53.8	20	32.8
Energy		5	19.2	4	18.2	-	-	9	14.8
Finance and Industry		4	15.4	5	22.7	2	15.4	11	18.0
Social Infrastructure		2	7.7	5	22.7	2	15.4	9	14.8
Transport and Communications		7	26.9	2	9.1	2	15.4	11	18.0
Others/Multisector		1	3.8	-	-	-	-	1	1.6
Total		26	100.0	22	100.0	13	100.0	61	100.0

^a HS: Highly satisfactory; S: Satisfactory; PS: Partly satisfactory; U: Unsatisfactory

^b Ratio of disbursement during the year over the undisbursed net loan balance also been added to the beginning balance of undisbursed loans.

^c Includes private sector projects for countries with private sector operations.

Philippines
PORTFOLIO PERFORMANCE
Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1999)

Sector ^a	Project Title	Loan No.	Net Loan Amount		Approval Date	Effectivity Date	Project Progress (% completed)	Cum. Contract Awards (\$million)	Cumulative Disbursement (\$million)	Project Implementation Rating ^b	
			OCR (\$million)	ADF						Implementation Progress	Development Objective
AGR	RIDP	1332		16.4	Nov-94	May-95	80	6.2	5.3	S	S
AGR	RURAL MICRO FINANCE	1435		18.7	Apr-96	Apr-97	-	8.7	4.4	S	S
AGR	BIADP	1453		19.0	Jul-96	Oct-97	22	1.3	1.4	S	S
AGR	AGRARIAN REFORM	1667	93.2		Dec-98	Jul-99	3	0.1	0.7	S	S
AGR	LOW-INCOME UPLAND	999		26.3	Dec-89	Feb-90	95	18.5	19.9	S	S
AGR	KABULNAN	1136		48.8	Nov-91	Mar-92	80	34.3	30.1	S	S
AGR	FSP	1191/92(SF)	21.0	18.1	Nov-92	May-93	92	34.1	34.1	S	S
AGR	2ND IRRIG SYS IMP	1365/66(SF)	15.0	13.2	Aug-95	Mar-97	27	5.8	5.8	S	S
AGR	CORDILLERA HIGHLAND	1421/22(SF)	9.5	8.7	Jan-96	Jun-97	28	2.2	3.6	PS	PS
AGR	FISHERIES RESOURCE	1562/63(SF)	20.2	15.1	Oct-97	Sep-98	12	1.3	0.9	S	S
AGR	STHRN PHILS IRRIG	1668	60.0		Dec-98	Oct-99	0	-	-	S	S
SOC	ANGAT W.S. PROJECT	986	130.0		Nov-89	Jan-90	77	58.8	79.2	U	S
SOC	MANILA SOUTH WATER	1150	31.4		Dec-91	Jun-92	36	-	1.5	U	U
SOC	MUN. WATER SUPPLY	1269	43.2		Nov-93	Jun-94	76	19.3	15.2	PS	S
SOC	REG'L MUN DEV	1367	27.0		Aug-95	Mar-97	22	3.7	3.8	U	S
SOC	UMIRAY-ANGAT TRANS	1379	92.0		Sep-95	May-96	68	47.1	46.6	PS	S
SOC	RWS & SANITATION	1440/41(SF)	18.5	17.5	Jun-96	Nov-97	47	3.9	4.8	S	S
SOC	SMALL TOWNS WS	1472	50.0		Sep-96	Oct-97	20	4.8	1.6	PS	S
SOC	SUBIC BAY MUN DEV	1599	22.0		Dec-97	Sep-98	16	-	0.1	S	S
SOC	CLARK DEV PROJ	1658	24.3		Dec-98	Jun-99	10	-	0.0	S	S
SOC	NON FORMAL EDUCATIO	1254		24.8	Sep-93	Jul-94	65	12.0	10.9	S	S
SOC	WOMEN'S HEALTH	1331		40.5	Nov-94	May-95	48	16.3	12.8	S	S
SOC	ICHS	1396		24.2	Oct-95	Mar-97	30	6.1	4.3	S	S
SOC	EARLY CHILD DEV	1606/07(SF)	15.7	8.9	Jan-98	Sep-98	10	-	1.0	S	S
SOC	SEDIP	1654	53.0		Dec-98	May-99	2	-	0.0	S	S
F&I	CMDPL	1363	150.0		Aug-95	Mar-97	-	75.0	75.0	U	S
F&I	LGU INFRASTRUCTURE	1729	3.1		Dec-99	-	0	-	-	S	S
ENE	MERALCO DIST	1207	132.6		Dec-92	Apr-93	90	105.8	105.4	PS	S
ENE	POWER TRANSMISSION	1288	127.5		Dec-93	Sep-94	91	92.4	111.6	PS	PS
ENE	NORTHERN LUZON	1398	204.0		Nov-95	May-96	99	140.7	142.1	S	S
ENE	LEYTE-MINDANAO INTE	1474	5.3		Sep-96	Feb-97	50	5.0	3.8	S	S
ENE	PWR TRANS REINFORCE	ODI	191.4		Dec-97	Apr-98	0	1.0	0.7	S	S
ENE	POWER RESTRUCTURING	1662	300.0		Dec-98	Dec-98	-	100.0	100.0	PS	PS

Philippines
PORTFOLIO PERFORMANCE
Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1999)

Sector ^a	Project Title	Loan No.	Net Loan Amount		Approval Date	Effectivity Date	Project Progress (% completed)	Cum. Contract Awards (\$million)	Cumulative Disbursement (\$million)	Project Implementation Rating ^b	
			OCR (\$million)	ADF (\$million)						Implementation Progress	Development Objective
T&C	AIRPORT DEV'T	ODI	41.0		Nov-94	Apr-95	45	27.5	13.8	PS	S
T&C	SIXTH ROAD	1473	167.0		Sep-96	Dec-97	20	60.3	16.5	S	S
T&C	THIRD AIRPORTS DEV.	1536	93.0		Sep-97	Nov-98	5	10.4	0.2	PS	S
OTH	MMAI (PROGRAM LOAN)	1663	200.0		Dec-98	Dec-98	-	100.0	100.0	S	S
OTH	AIR POLL. CONTROL	1664	25.0		Dec-98	Dec-98	-	-	-	S	S
OTH	(INVESTMENT LOAN)	1665	71.0		Dec-98	Dec-98	0	0.0	1.1	S	S
	Total		2,436.8	300.4				1,002.7	958.3		

^a Sector:

AGR Agriculture and Natural Resources

ENE Energy

F&I Finance and Industry

SOC Social Infrastructure

T&C Transport and Communications

OTH Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.

PHILIPPINES
OVERALL EXTERNAL ASSISTANCE
(in \$ million)

External Source	1994-1998 (annual average)		1999 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	403.8	6.3	153.2	7.0
UN System	-	18.6	-	19.3
World Bank	257.5	-	339.4	-
Subtotal	661.3	24.9	492.6	26.3
B. Bilateral Assistance				
Australia	34.3	26.7	-	30.5
Canada	3.1	18.8	-	15.5
France	40.5	0.2	-	-
Germany	24.1	15.4	15.06	0.7
Italy	-	1.0	-	0.0
Japan	967.3	85.4	1318.7	70.6
United Kingdom	15.9	-	16.25	-
United States	7.0	34.3	-	-
Subtotal	1,092.3	181.7	1,350.0	117.4
Total	1,753.6	206.6	1,842.6	143.7

Source: National Economic and Development Authority
The Asian Development Bank

Philippines
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^a	Crosscutting Operational Priority ^b	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2001 LOAN PIPELINE										
Agriculture and Natural Resources										
1. Infra. for Rural Productivity Enhancement Sector	ODI	GG	AEAR	1999	155.6	70.0	-	70.0	85.6	-
Subtotal					155.6	70.0	-	70.0	85.6	-
Finance and Industry										
1. Non-bank Financial Intermediation	ODI	PSD	IEFI	1998	100.0	100.0	-	100.0	-	-
Subtotal					100.0	100.0	-	100.0	-	-
Social Infrastructure										
1. Mindanao Basic Education Development	CPI	HD	AEEH	1997	111.1	50.0	-	50.0	61.1	-
2. Mindanao Basic Urban Services Sector	PI	HD	AEWU	1998	100.0	45.0	-	45.0	28.0	27.0
Subtotal					211.1	95.0	-	95.0	89.1	27.0
Total					466.7	265.0	-	265.0	174.7	27.0
2001 STANDBY LOANS										
Agriculture and Natural Resources										
1. Mindanao Community-Based Forest Resource Mgmt.	CPI	ENV	AEFN	1999	88.9	40.0	-	40.0	48.9	-
Energy										
1. Rural Electrification Project		PSD	IEEN	2000	133.3	60.0	-	60.0	73.3	-
Standby Total					222.2	100.0	-	100.0	122.2	-
Total Including Standby					688.9	365.0	-	365.0	296.9	27.0
2002 LOAN PIPELINE										
Agriculture and Natural Resources										
1. Mindanao Community-Based Forest Resource Mgmt.	CPI	ENV	AEFN	1999	100.0	40.0	-	40.0	60.0	-
Subtotal					100.0	40.0	-	40.0	60.0	-
Energy										
1. Rural Electrification Project		PSD	IEEN	2000	150.0	60.0	-	60.0	90.0	-
Subtotal					150.0	60.0	-	60.0	90.0	-
Finance and Industry										
1. SME Export Development	AD	PSD	IEFI	1996	125.0	50.0	-	50.0	75.0	-
Subtotal					125.0	50.0	-	50.0	75.0	-
Social Infrastructure										
1. Education Sector Development Program		HD	AEEH	2000	135.0	75.0	-	75.0	60.0	-
2. Development of Poor Urban Communities	CPI	HD	AEWU	2001	125.0	50.0	-	50.0	25.0	50.0
Subtotal					260.0	125.0	-	125.0	85.0	50.0
Transport and Communications										
1. Rural Roads Development	ODI	GG	IETC	2000	187.5	75.0	-	75.0	112.5	-
Subtotal					187.5	75.0	-	75.0	112.5	-
Total					822.5	350.0	-	350.0	422.5	50.0
2003 LOAN PIPELINE										
Agriculture and Natural Resources										
1. Integrated Coastal Resources Management	CPI	ENV	AEFN	2000	100.0	40.0	-	40.0	60.0	-
2. Rural Microfinance	CPI	HD	AEAR	2001	100.0	40.0	-	40.0	60.0	-
Subtotal					200.0	80.0	-	80.0	120.0	-
Energy										
1. Strengthening Transmission Systems for Rural Electrification		PSD	IEEN	2000	250.0	100.0	-	100.0	150.0	-
Subtotal					250.0	100.0	-	100.0	150.0	-
Finance and Industry										
1. LGU Infrastructure Development Facility		PSD	IEFI	1999	62.5	25.0	-	25.0	37.5	-
Subtotal					62.5	25.0	-	25.0	37.5	-
Social Infrastructure										
1. Health Sector Development	PI	HD	AEEH	2000	150.0	75.0	-	75.0	75.0	-
2. Metro Manila Urban Services for the Poor	CPI	HD	AEWU	2001	125.0	50.0	-	50.0	75.0	-
Subtotal					275.0	125.0	-	125.0	150.0	-
Total					787.5	330.0	-	330.0	457.5	-

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; PG = Pro-poor Growth.

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development and RC = Regional Cooperation.

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

Philippines
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			ADB	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Rural Microfinance	AEAR	PP	500.0	-	500.0
2. Upland Communities Development	AEFN	PP	900.0	-	900.0
3. Irrigation Sector	AEFN	PP	900.0	-	900.0
	Subtotal		2,300.0	-	2,300.0
Energy					
1. Strengthening Transmission Systems for Rural Electrification	IEEN	PP	500.0	-	500.0
2. Inst'l Strengthening of DOE in Natural Gas Regulation and Cost Control	IEEN	AD	800.0	-	800.0
	Subtotal		1,300.0	-	1,300.0
Social Infrastructure					
1. Metro Manila Urban Services for the Poor	AEWU	PP	800.0	-	800.0
2. Regionalized Urban Services	AEWU	PP	800.0	-	800.0
3. Private Sector Participation in Formal and Nonformal Education	AEEH	AD	700.0	-	700.0
	Subtotal		2,300.0	-	2,300.0
Others (Governance/Environment)					
1. Improved Municipal Governance	AEWU	AD	400.0	-	400.0
2. Promotion of Cleaner Production Technologies	ENVD	AD	700.0	-	700.0
3. Judicial Reform	OGC	AD	600.0	-	600.0
4. LGU Capacity Building II	PE2/AEWU	AD	600.0	-	600.0
5. Power Sector Compliance w/ Clean Air Act	IEEN	AD	150.0	-	150.0
6. Support for Financial & Corporate Sector Dev. (Piggybacked to NBF)	IEFI	AD	1,000.0	-	1,000.0
	Subtotal		3,450.0	-	3,450.0
	Total		9,350.0	-	9,350.0
2002/2003 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1. Rural Development	AEAR	ODI	900.0	-	900.0
	Subtotal		900.0	-	900.0
Energy					
1. Renewables and Remote Area Electrification	IEEN	PP	600.0	-	600.0
	Subtotal		600.0	-	600.0
Finance and Industry					
1. Capacity Bldg. For PDIC II	IEFI	AD	600.0	-	600.0
2. Trade Policy and Econ. Governance (Piggy Backed to SME Export Comp. Devt. SDP)	IEFI	AD	600.0	-	600.0
	Subtotal		1,200.0	-	1,200.0
Transport and Communications					
1. Provincial Roads Development	IETC	PP	700.0	-	700.0
	Subtotal		700.0	-	700.0
Others (Governance/Environment)					
1. Poverty Reduction through Biodiversity Cons and Env Rehabilitation	ENVD	AD	600.0	-	600.0
2. LGU Capacity Building III (Financial Mgt. Resource Mobilization)	AEWU	AD	600.0	-	600.0
3. Regional Cities Air Quality Improvement/Industrial Pollution Prevention and Management	IEOD	PP	700.0	-	700.0
4. Capacity Building for an Expanded ARMM	PE2	AD	600.0	-	600.0
	Subtotal		2,500.0	-	2,500.0
	Total		5,900.0	0.0	5,900.0

Philippines
LENDING PROGRAM, 2001-2003
BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR

Classification	2001 (Firm)		2002-2003	
	No.	%	No.	%
I. By Poverty Classification*				
A. Core Poverty Intervention	1	25.0	5	41.7
B. Poverty Intervention (Non-core)	1	25.0	1	8.3
C. Pro-poor Growth	2	50.0	6	50.0
Total	4	100.0	12	100.0
II. By Crosscutting Operational Priority*				
A. Environment	-	-	2	16.7
B. Gender and Development	-	-	-	-
C. Good Governance	1	25.0	1	8.3
D. Human Development	2	50.0	5	41.7
E. Private Sector Development	1	25.0	4	33.3
F. Regional Cooperation	-	-	-	-
Total	4	100.0	12	100.0
III. By Sector				
A. Agriculture and Natural Resources	1	25.0	3	25.0
B. Energy	-	-	2	16.7
C. Finance and Industry	1	25.0	2	16.7
D. Social Infrastructure	2	50.0	4	33.3
E. Transport and Communications	-	-	1	8.3
F. Others/Multisector	-	-	-	-
Total	4	100.0	12	100.0

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

PHILIPPINES

PROJECT PROFILE				
1. Project Name: Infrastructure for Rural Productivity Enhancement Sector		2. Sector/Subsector: Agriculture Support Services		
3. Poverty Classification: ^{a*} ODI		4. Crosscutting Operational Priority: ^{b*} GG		
5. Rationale & Objectives: Most of the rural poor are engaged in subsistence agriculture and are concentrated in the eastern-central and southern Philippines, particularly in the Bicol region, Eastern Visayas, the Autonomous Region of Muslim Mindanao (ARMM), and Central Mindanao. The Government's Medium Term Philippine Development Plan (MTPDP) for 1999 to 2004 and the Agriculture and Fisheries Modernization Act (AFMA) of 1997 emphasize the importance of mechanisms for the realization of agricultural production potentials and the creation of viable employment and income opportunities in rural areas, particularly in the southern part of the country. Inadequate rural infrastructure stands out as a principal cause of constraints that smallholders face in becoming more productive and profitable. Chief among them is the difficulty and cost of hauling their inputs to the farm and their outputs to market caused by the lack of access infrastructure. The Project aims to remove these constraints.		6. Beneficiary Participation/Consultation Needs: The design of the proposed Project will require extensive consultation with the concerned target areas to address their socioeconomic interests.		
7. Scope: The long-term development goal is increased rural incomes in areas with high agricultural potential. The immediate objective of the Project is the removal of constraints to the improvement of productivity caused by the lack or inadequacy of rural infrastructure. This will be achieved by the provision of infrastructure in areas where there is potential for sustainable gains in productivity that will, in turn, lead to increases in rural incomes, particularly for smallholders and the poor. The Project will have three components: (i) improved rural infrastructure; (ii) capacity building for LGU leadership in the management of subprojects; and (iii) project management and coordination.				
8. Estimated Cost & Financing Plan (\$):				9. Remarks
Loan Project Cost (\$ million)				
Financing (Source)	FC	LC	Total	
ADB	TBD	TBD	70.0	
Cofinancing	TBD	TBD	-	
Borrower/LGUs	TBD	TBD	86.0	
Total	-	-	156.0	
10. Estimated Benefits and Beneficiary Groups: The Project will benefit farm (and non-farm) households in more than 100 municipalities in the Southern Philippines. Beneficiaries from rural roads will experience savings in costs and increased production that together will increase average household incomes from crop production by \$94 to \$553. Incomes from crop production for farmers with irrigated holdings will be expected to increase by 82 to 215 percent following investment in irrigation facilities.				
11. Executing Agency: Department of Agriculture		12. Project Implementation Period: Start: 2001 End: 2003		
13. Environmental Category: B		14. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI= Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environment; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000 which will be applied from January 2001.

PHILIPPINES

PROJECT PROFILE				
1. Project Name: Non-Bank Financial Intermediation Program		2. Sector/Subsector: Finance/Capital Market Development		
3. Poverty Classification:^{a*} ODI		4. Crosscutting Operational Priority:^{b*} PSD		
5. Rationale & Objectives: The Project will support financial and corporate governance reforms, particularly the development of capital market institutions with a view to enhancing transparency and predictability in the market place. A cornerstone of this effort will be the strengthening of supervision, compliance and enforcement of market participants. The Project will focus on improving the (i) transparency of market transactions, (ii) corporate governance standards of publicly listed firms, and (iii) developing the capacity for clearing and settlement of corporate debt instruments with the objective of strengthening the role of institutional investors (pension and insurance funds) in mobilizing long-term funds for economic development, economic growth and employment generation.		6. Beneficiary Participation/Consultation Needs:		
7. Scope: To be determined during project processing.				
8. Estimated Cost & Financing Plan (\$):			9. Remarks	
Loan Project Cost (\$ million)				
Financing (Source)	FC	LC		Total
ADB	100.0	-		100.0
Cofinancing	-	-		-
Borrower	-	-		-
Total	100.0		100.0	
10. Estimated Benefits and Beneficiary Groups: The Philippines has suffered from a crisis of investor confidence. Bolstering financial and corporate standards will introduce more predictability into the market. In addition, introducing institutional investors into the corporate market should boost growth and employment in the manufacturing sector. The beneficiaries will be the people of the Philippines who will benefit from sustainable, market driven employment growth resulting from increased confidence and investment in manufacturing and the recipients of pension and insurance plans that should see higher benefits based on increased returns in invested funds.				
11. Executing Agency: Department of Finance		12. Project Implementation Period: Start: 2001 End: 2003		
13. Environment Category: C		14. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI= Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environment; GAD = Gender and Development; GG = Good Governance; HD = Human Development;

PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000 which will be applied from January 2001.

PHILIPPINES

PROJECT PROFILE				
1. Project Name: Mindanao Basic Education Development Project		2. Sector/Subsector: Education		
3. Poverty Classification:^{a*} CPI		4. Crosscutting Operational Priority:^{b*} Human Development		
5. Rationale & Objectives: Mindanao's socioeconomic development has been constrained by insurgency and low level of investment in both human and physical development. Achieving universal participation in basic education that is relevant to students representing diverse socio-cultural background will contribute to poverty reduction, restoration of peace and sustainable socioeconomic development of Mindanao.		6. Beneficiary Participation/Consultation Needs: Project preparation has been involving representatives of Islamic communities and schools, as well as Indigenous Cultural Communities (ICC) and schools.		
7. Scope: The Project will promote equitable access to basic education (primary, secondary and nonformal literacy and skills development) and strengthen local capacities to deliver quality and culturally relevant education services to the poor and vulnerable population groups. The Project will support (i) partnership between government and nongovernment schools and quality improvement in Madaris and ICC schools; (ii) quality and relevance of public basic education, in particular through encouraging curriculum flexibility and localization; and (iii) grassroots level initiatives for school life improvement and poverty reduction.				
8. Estimated Cost & Financing Plan (\$): (a) TA: Amount: \$670,000 Source: JSF and Belgium Trust Fund (b) Loan Project Cost (\$ million)		9. Remarks A number of agencies are supporting Mindanao's basic education. JBIC has expressed interest in cofinancing the Project.		
Financing (Source)		FC	LC	Total
ADB		10.0	40.0	50.0
Cofinancing		TBD	TBD	-
Borrower		TBD	TBD	61.1
Total		-	-	111.1
10. Estimated Benefits and Beneficiary Groups: The expected social benefits include: (i) fostering peaceful co-existence of multicultural population groups, (ii) enhanced basic education and skills development opportunities and improved employability of graduates and (iii) improved human resource base to promote and sustain socioeconomic development. Children from poor families, vulnerable groups and cultural minorities will be the main beneficiaries.				
11. Executing Agencies: Department of Education, Culture and Sports Implementing Agency in Mindanao to be determined.		12. Project Implementation Period: Start: June 2001 End: Dec 2007		
13. Environmental Category: C		14. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environment; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000 which will be applied from January 2001.

PHILIPPINES

PROJECT PROFILE					
1. Project Name: Mindanao Basic Urban Services Sector			2. Sector/Subsector: Social Infrastructure/Urban Development		
3. Poverty Classification:^{a*} PI			4. Crosscutting Operational Priority:^{b*} HD		
5. Rationale & Objectives: The demand for basic urban services in Mindanao is outstripping the ability of local governments to deliver and sustain adequate levels of municipal services, particularly for the urban poor. Accordingly, there is an urgent need to address in a comprehensive approach the inadequacy of basic urban infrastructure in Mindanao through upgrading and expansion of basic urban infrastructure and strengthening the capability of LGUs to provide and manage these essential services. The Project aims to improve the quality of life of urban residents by enabling the provision, upgrading and rehabilitation of basic municipal infrastructure and services. The Project will strengthen the participating LGUs' capacity to plan, provide, manage and maintain municipal investments and services. The Project will improve poor communities' access to affordable basic infrastructure and services. In addition to poverty alleviation, the Project will contribute to economic development and improvement to the urban environment.			6. Beneficiary Participation/Consultation Needs: Central Government agencies, LGUs, private sector, NGOs, and community groups will participate in project design and implementation.		
7. Scope: The Project will comprise two parts, Part A: Infrastructure Investments, and Part B: Project Preparation, Management and Institutional Development Support. Part A will consist of the construction, upgrading, and rehabilitation of basic urban infrastructure and service facilities of subprojects in cities and municipalities, covering any of the following components (i) water supply; (ii) flood control and drainage; (iii) sewerage and sanitation; (iv) solid waste; (v) urban roads, bridges, and traffic management; and (vi) public facilities such as public markets, bus terminals and slaughterhouses. The Project will be based on a demand driven and integrated approach to urban development. Part B will include (i) assistance to prepare subprojects, including feasibility studies and detailed engineering design; (ii) project management support to assist in overall project management and subproject implementation; and (iii) institutional development and capacity building covering urban management, financial management, enhancing revenue generation, corporatization of the economic units, training for GIS, and public-private partnerships.					
8. Estimated Cost & Financing Plan (\$):			9. Remarks Cofinancing possibilities will be further explored.		
Loan Project Cost (\$ million)					
Financing (Source)	FC	LC			Total
ADB	41.0	4.0			45.0
Cofinancing	TBD	TBD			27.0
Borrower	TBD	TBD	28.0		
Total	-	-	100.0		
10. Estimated Benefits and Beneficiary Groups: The Project will benefit about one million urban residents, in terms of improved access to municipal services and higher environmental standards. In addition, as the urban population usually represents 30 to 40 percent of the city/municipal population, an additional one to two million rural residents will also benefit from selected improved municipal infrastructure and service in the city center. The Project will address about 20 percent of the total urban infrastructure investment program for Mindanao. In addition to the improvement of the physical urban infrastructure, the LGUs will benefit from the institutional development and capacity building program which aims at strengthening their managerial, technical and financial capacity.					
11. Executing Agencies: Department of Interior and Local Government (DILG) Land Bank of the Philippines			12. Project Implementation Period: Start: 2001 End: 2008		
13. Environmental Category: B			15. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI= Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environment; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD = Private Sector Development; and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000 which will be applied from January 2001.