

Delegation of the
European Commission
to the Philippines



ANNUAL REPORT 2004



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to the Philippines

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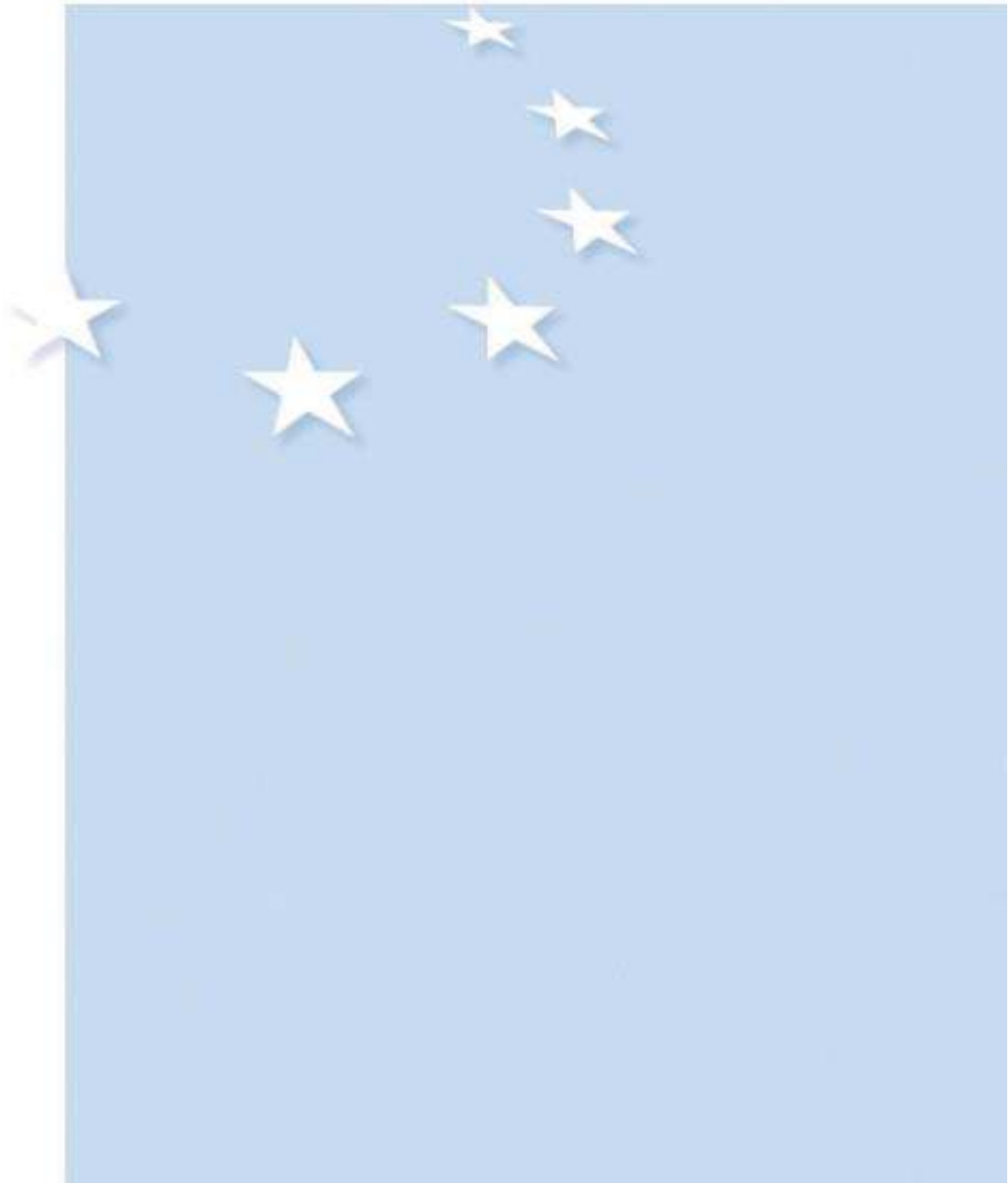
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ANNUAL REPORT

2004



The Year in Review

Philippines

The year 2004 was marked by the contentious general elections in May 2004, the debate around a fiscal crisis, the continuous fight against terrorist groups and the humanitarian tragedy caused by tropical storms by the end of the year.

Synchronised presidential, parliamentary and local government elections took place on 10 May, monopolising the domestic political agenda since the beginning of the year. The electoral campaign was one of the most violent of the last 20 years with more than 150 casualties. Official election results were only announced after the canvassing by the Joint Committee of Congress on 20 June, with Gloria Macapagal Arroyo emerging as the new President receiving 3% or 1.1 million more votes than the main opposing candidate, populist movie star Fernando Poe, Jr. Poe filed a protest on electoral fraud before the Supreme Court, but this motion was suspended after he died of a heart attack in December. His death mobilised tens of thousands of people across the country in public mourning.

President Arroyo embarked on an ambitious 10-point action programme, with poverty reduction, job creation and revamping of the economy on top of the agenda. In August, President Arroyo declared that the nation was in a fiscal crisis, facing a PhP 200 billion (4% of GDP) budget deficit and PhP 4 trillion (100% of GDP) public sector debt. She appealed for public support and sacrifices from all sectors of society, but barely two months later, the President retracted and announced the fiscal crisis was over. The government proposed eight new tax measures in order to raise PhP 80 billion, out of which only one bill, the "sin tax" on alcohol and tobacco products, had been passed by Congress in December.

Extra-judicial killings remained a serious problem. In 2004, the Philippines ranked second after Iraq regarding the number of media killings. Thirteen journalists died in a series of incidents, most likely involving criminal syndicates engaged in illegal drug dealing and gambling.

The fight against rampant corruption was brought to the forefront through a number of government and civil society initiatives. In September, representatives of the private sector, NGOs and the church launched the Coalition Against Corruption, while the government conducted lifestyle checks among high government and military officials. Yet, prosecution and conviction of major personalities involved in graft cases has been dragging or non-existent.

Overseas Filipino Workers' remittances increased by 9.5% in 2004 compared to 2003 and their importance for the Philippine economy was acknowledged by the banking sector.

The government moved toward recognition of modern methods for family planning and increased its budget allocation. This represented a dramatic improvement compared with the previously enforced ban on contra-ceptive purchase by central government.

The Philippine National Police announced that the country experienced a 10% drop in total crime volume in 2004, compared to 2003.

Moreover, kidnap-for-ransom cases decreased by 64%, with 28 cases in 2004 against 77 in 2003.

In February, 118 passengers were killed following a bomb explosion on board a *Superferry* travelling between Manila and the Central Philippines. Eight months later, the government officially admitted that Abu Sayyaf was the author of this attack and promised a tough fight against terrorist groups. Both Jemaah Islamiyah and Abu Sayyaf have suffered serious setbacks with a significant number of their leaders being arrested and various military operations undertaken against them throughout the year. Yet, sporadic bomb attacks and threats, especially in public places in Mindanao's cities, continue to occur.

Peace talks between the government and the National Democratic Front (CPP-NPA) started in Norway in early February. The continuous unmet demand for the New People's Army to be removed from the US and EU terrorist lists finally lead to a unilateral suspension of the peace talks by the NDF in August.

No substantial progress towards a peace agreement with the Moro Islamic Liberation Front could be achieved this year, despite MILF's self-imposed cease-fire and various rounds of informal exploratory talks between the two parties.

During late November and early December, four tropical storms hit the Luzon and Visayas regions causing flooding and landslides that left over 1,000 dead, 1,100 injured and 650,000 homeless. Damage to crops and natural resources was estimated at about 60.5 million.

European Union

The year 2004 undoubtedly marked a watershed in the evolution of the European Union. Europe emerged a substantially enlarged political entity, and a new Parliament and a new Commission began their terms of office. The first steps were taken to endow Europe with its own Constitution and, at the same time, work started on drawing up a strategic financial framework that will give the European Union the means to match its ambitions.

With the accession of 10 new Member States on 1 May and the signing of a new Treaty establishing a Constitution for Europe six months later, the year 2004 proved that, for all the difficulties, it is possible to enlarge and consolidate the European Union at the same time. Timely ratification of

the Treaty signed in Athens in 2003, which laid the legal basis for the accession of 10 new countries to the European Union (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) enabled enlargement to take place, as planned, on 1 May 2004. To give full effect to the new configuration of the European Union, steps to adapt current Community legislation continued in a number of areas, including the free movement of goods and agriculture. Work also began on preparing the ground for introducing the euro in the new Member States in the short or medium term.

EU enlargement is now an ongoing process. Accession negotiations with Bulgaria and Romania were completed at the end of the year, and an accession treaty is due to be signed in 2005, with a view to accession in 2007. Croatia has been accepted as a candidate for membership, and negotiations with it should begin in early 2005. Another western Balkan country, the Former Yugoslav Republic of Macedonia, has also applied for membership. Finally, in December, in the light of Turkey's progress in introducing reforms and the positive signals it has given about settling the Cyprus question, the European Council decided to open accession negotiations, in principle in October 2005, subject to certain conditions being met by then, particularly with regard to further reforms.

In order to ensure the proper working of an enlarged European Union based on shared values and to consolidate policies that have changed substantially since the Treaty of Rome in 1957, a Treaty establishing a Constitution for Europe was signed on 29 October. Its aim is to provide the enlarged Union with the means it needs to attain its objectives, and to do so more efficiently. On the internal front, these relate primarily to creating an area of freedom, security and justice and an internal market open to competition, promoting sustainable development, scientific progress and economic and social cohesion, combating social injustice and preserving Europe's cultural heritage. On the international front, the Union must assert and promote its values and strive to contribute to peace, security, the sustainable development of the planet, free and fair trade, the elimination of poverty and the protection of human rights. Incorporation of the Charter of Fundamental Rights into the Treaty is one of the new means to these ends. Others include extension of the use of qualified-majority voting, new powers in the field of economic governance and new areas of activity, and the creation of a new post of European Union Minister for Foreign Affairs. For the new Treaty to enter into force it must now be ratified by each of the 25 Member States.

The timetable for 2004 dictated that these major developments — the arrival of 10 new Member States and the signing of the Treaty on the Constitution — coincided with the election of a new 732 members-strong European Parliament in June and the appointment of a new Commission. The new Commission took office on 22 November for a five-year term. Javier Solana was reappointed to his dual function of Secretary-General of the Council and High Representative for the Common Foreign and Security Policy. Consensus has been reached among the Member States that he will hold the post of European Foreign Minister created by the future Constitution when the new Treaty enters into force, and in this capacity will have a seat in both the Council and the Commission in accordance with the institutional balance.

It is important to make the point that the activities of the European Union cannot be viewed in isolation from the external context in which it operated. With its newly expanded external frontiers, the European Union sought to give greater substance to the neighbourhood policy it has been gradually developing over the past two years. The continuing conflict in Iraq and the persistence or emergence of other crises elsewhere that once again dominated the headlines across the world in 2004 have prompted the European Union to consolidate its advances in the area of security and

defence. The first steps were taken to implement the European security strategy adopted at the end of 2003: in June the European Council approved an action plan to combat terrorism and endorsed an EU strategy on weapons of mass destruction. A European Defence Agency was also set up.

On the internal affairs front, new initiatives were launched in two policy areas in this crucial year. First, the creation of an area of freedom, security and justice in the European Union was given fresh impetus. In November the European Council adopted a new multi-annual programme for 2005 to 2009, 'the Hague programme', which sets out priorities for future action and reflects the ambitions expressed in this connection in the Treaty establishing a Constitution for Europe. Second, the pursuit of the Lisbon strategy developed in 2000 with a view to promoting a dynamic European economy based on knowledge, competitiveness and growth that is compatible with higher employment and greater social cohesion, was also given new momentum.

Looking ahead, one of the key issues remains the preparation of the financial perspective for the period 2007 to 2013 to underpin the activities of an enlarged European Union that is due to expand even further. The Commission issued a communication in February setting out the policy challenges and budgetary means of an enlarged European Union and in July, the Commission presented a first package of legislative proposals for programmes and instruments in areas including social policy and employment, economic and social cohesion, transport, agriculture and rural development, fisheries, education and culture. In September, it recommended simplifying the existing system for providing external assistance by rationalising the instruments involved; it also added to its initial series of legislative proposals a new package relating to the environment, nuclear energy, pre-accession, neighbour-hood policy and development co-operation.

Philippine s- EC/ EU r e l a t i o n s

The Philippines and the European Union enjoy favourable economic relations also in 2004. The EU is the Philippines' fourth largest trading partner and the Philippines benefited from a trade surplus as the EU continued to be one of the largest export markets of the country, fourth after Japan, the US and ASEAN. However, Philippine exports to the EU have shown a declining trend over the past years. The EU is also the country's fifth largest supplier and the Philippines is a small but fast growing market for the EU.

The EU has also been the largest source of Foreign Direct Investment over the last decade, accounting for more than one-fourth of total investments in the country. Yet a large potential for enhancing EU-Philippines investment relations remains since the Philippines has only attracted 0.2% of EU outward investment over recent years and has historically received one of the smallest shares of EU FDI in the ASEAN region. The EU was also the largest source of portfolio investments (41%) over the last decade and the EU banks account for 48% of the total outstanding bank credit to the country.

But certain market access issues, either new or old (e.g. the differential treatment between distilled spirits using local raw materials and those that do not exacerbated by the new excise tax on spirits; the temporary ban on beef import from EU Member States covered under Memorandum Order No. 19 which is considered to be discriminatory especially when viewed vis-à-vis other countries also affected by BSE; the worrying outcome of a EU Commission Food and Veterinary Inspection mission on Fishery and Aquaculture Products) will have to be addressed so as not to disrupt trade.

A number of anti-circumvention and anti-dumping missions of the European Commission with and/or without EU Member States involvement took place in 2004.

On the more positive side, there exist bilateral and regional instruments to help the Philippines improve its capacity not only to meet its international commitments but also to further intensify its economic relations with the EU. In July, the European Commission proposed new guidelines for the EU General System of Preferences for the next ten years which aim at simplification, better focusing on the countries most in need and fostering regional cooperation. The new GSP, expected to be approved early 2005, would enter into force not later than 1 July 2005. A number of activities were undertaken in the context of the Trans-Regional EU-ASEAN Trade Initiative (TREATI), launched in 2003 to support EU-ASEAN regulatory co-operation, of which one in Manila in November on the proposed EU REACH Chemicals Policy.

At the WTO, the EC took certain initiatives including a letter in May outlining three areas (agriculture, Singapore Issues, development issues) where the EU is ready to make further movement to contribute to the DDA negotiations; considerable commitments for trade related assistance; and launching of an online resource to facilitate access by developing countries to the EU.

Meanwhile, EC development co-operation with the Philippines made good progress in 2004. The revised 2002 – 2004 National Indicative Programme (NIP) and the new 2005 – 2006 NIP were among the first in Southeast Asia to be decided, in May 2004, by the Commission and were signed with the Philippine Government on 2004. A number of key projects funded from NIP were approved while two NGO grant contracts and a contribution agreement with UNDP were also concluded.

Among the projects approved and/or commenced implementation in 2004 were the Philippine Border Management (BM); Anti-Money Laundering Project (AML); Trade Related Technical Assistance Programme (TRTA); ASEAN Centre for Biodiversity (ACB); and the Access to Justice for the Poor and corruption prevention projects.

While ASIA-wide programmes were successfully devolved to the EC Delegation in the Philippines, the main Philippines-based regional project ARCBC came to an end after successful completion. However, its successor, the ACB was approved at the end of the year and can build on the impressive achievements of ARCBC.

ECHO, the European Commission's Humanitarian Aid office, in line with its previous interventions in the Philippines, allocated a further € 850,000 to four projects providing emergency assistance to thousands of people displaced by the armed conflict in Southern Philippines. In addition, ECHO very rapidly responded to the most pressing needs of the numerous victims of four successive typhoons/tropical storms that hit the Philippines over a span of three weeks late in 2004 and which had caused extensive damage. Based on the assessment conducted by its rapid response mission and in close coordination with other humanitarian agencies and NGOs, ECHO contracted four projects totalling € 800,000 for priority relief and rehabilitation needs of about 200,000 typhoon victims in Quezon and Aurora provinces.

Following a Mid-Term Review of the 2002 – 2006 Country Strategy Paper (CSP) for the Philippines, the continued validity of the CSP priorities was confirmed, but this review concluded that amendments to

the 2002 – 2004 National Indicative Programme (NIP) were needed in view of new and evolving situations in particular concerning security and the fight against terrorism.

The MTR also revealed the need for a more focused 2005 – 2006 NIP, better reflecting new Commission development policy priorities such as stronger concentration of projects, pursuit of sector-wide approaches and enhanced co-operation with other multi- and bilateral donors. As a result, priority was given to a sector-wide approach in health, with a proposed contribution of 32 – 34 million in support of the Health Sector Reform Agenda (HSRA) of the government. Towards the end of 2004, preparations of the health sector support programme considerably accelerated with the active participation of Philippine Government and other major donors concerned. Linking poverty reduction with disarmament, demobilization and development, the restoration of peace and security in Muslim Mindanao was identified as the other main development priority.

The EC is therefore envisaging supporting a World Bank-administered Multi Donors Trust Fund for Mindanao by earmarking an amount of 11 to 13 million in the NIP 2005 – 2006.



Co-operation Overview

In 2004, EC development co-operation with the Philippines made considerable progress. New and shared development priorities resulted in a revision of the 2002-2004 NIP and a more focused 2005-2006 NIP. A number of key projects funded from the NIP were approved - Philippine Border Management (BM); Anti-Money Laundering Project (AML); Trade Related Technical Assistance programme; ASEAN Centre for Biodiversity (ACB) - or commenced implementation - the Access to Justice for the Poor and Corruption Prevention projects. In addition to NIP-funded projects, two NGO grant contracts and a contribution agreement with UNDP were also concluded.

The 2002-2006 Country Strategy Paper (CSP) for the Philippines with an indicative budget of 63 million, identified a flexible sector-oriented programme with two focal areas of assistance: *assistance to the poorest sectors of society* and *assistance to trade and investment*. The CSP also highlights two *other areas of co-operation*, both under the overall heading of good governance: *human development and human rights and stability and security*. *Cross-cutting issues including capacity-building, human resource development, civil society, gender and conflict prevention were also addressed.*

In the first quarter of 2003, a Mid-Term Review of the CSP was carried out. An assessment was made of the social, political and economic changes in the Philippines. The CSP was analysed in the light of the new priorities in external EU/Community policies: Trade Related Technical Assistance (TRTA); Justice- and Home Affairs-related matters such as migration, counter-terrorism, conflict prevention; and environmental issues.

The MTR confirmed the continued validity of the CSP priorities, but concluded that amendments to the 2002-2004 National Indicative Programme (NIP) were needed in view of new and evolving circumstances, in particular concerning security and the fight against terrorism. Counter-terrorism, anti-money laundering and conflict prevention were already among the priorities of the EC co-operation with

the Philippines, but a revision of the NIP was necessary to accommodate actions in each of these specific areas, in addition to good governance and trade, which were specifically identified as priorities under the original NIP 2002-2004. It also revealed the need for a more focused 2005-2006 NIP.

The revised 2002-2004 NIP and new 2005-2006 NIP were among the first in Southeast Asia to be decided by the Commission in May 2004 and were signed with the Government on 10 August. They reflect new Commission development policy priorities such as stronger concentration of projects, pursuit of sector-wide approaches and enhanced cooperation with other multi- and bilateral donors. This resulted in an emphasis on a sector wide approach in health, with a proposed contribution of 32 to 34 million in support of the Health Sector Reform Agenda (HSRA) of the government. After an initial slow start, preparations of the health sector support programme considerably accelerated with the active participation of Government and other major donors concerned.

Linking poverty reduction with disarmament, demobilization and development, the restoration of peace and security in Muslim Mindanao was identified as the other main development priority. The EC is, therefore, envisaging to support the World Bank-administered Multi Donors Trust Fund for Mindanao (MDTF) by earmarking an amount of 11-13 million in the NIP 2005-2006. However, the latter is innovative as it provides for a two-case scenario: if the peace process does not materialize, progress is too slow, or the MDTF does not fully meet EC requirements in terms of objectives and strategy, the full amount foreseen will be reallocated to the sector-wide approach in health.

A number of major projects, which to varying degrees contributed to sustainable development, came to an end in 2004: the Palawan Tropical Forestry Protection Programme (PTFPP); the Central Cordillera Agricultural Programme (CECAP) 2; Economic Self-Reliance Programme-Caraballo and Southern Cordillera Agricultural Development (ERP-CASCADE). Implementation of others major comprehensive rural development projects such as the Support to Agrarian Reform in Central Mindanao (STARCM) and Upland Development Programme (UDP) further intensified.

While ASIA-wide programmes were successfully devolved to the EC Delegation in the Philippines, the main Philippines-based regional project ARCBC came to an end after successful completion. However, its successor, the ASEAN Centre for Biodiversity (ACB) was approved at the end of the year and can build on the impressive achievements of ARCBC.

Assistance to the Poorest Sectors of Society

Support to Agrarian Reform in Central Mindanao (STARCM, 2001-2007)

The Support to Agrarian Reform in Central Mindanao (STARCM) programme began in May 2001 with the signing of the technical assistance contract and is expected to end in May 2008. It aims to increase the self-reliance, living standards and quality of life of farming households in fifty



The Head of the Delegation, Ambassador Jan de Kok, (2nd from right) and former Foreign Affairs Secretary Delia Albert (3rd from right) signed the memorandum of agreement providing for the National Indicative Programme for the Philippines.

(50) agrarian reform communities (ARCs) in Cotabato, Sultan Kudarat, Lanao del Norte and Lanao del Sur.

The total cost of the programme is estimated at 23.325 million, with an EC grant of 18.422 million (79%) while the combined contribution of the GOP (Department of Land Reform, LGUs and peoples' organisations) is 4.903 million (21%).

The programme has four operational components:

- a.) Support Infrastructure (SI) – which aims to provide rural infrastructure that better supports farmer productivity and social welfare in the ARCs;
- b.) Agricultural Production and Enterprise Development (APED) – which aims to increase agricultural production and household income through a combination of agricultural diversification, farm mechanisation and the development of rural enterprises;
- c.) Institutional Strengthening (IS) – which aims to improve the capacity of peoples' organisations and local government units to plan, implement, manage and maintain development projects; and
- d.) Access to Rural Finance (RF) – which aims to improve access to financial services provided by the Government and private financial institutions.

As of December 2004, there were 213 on-going and completed sub-projects spread across 50 ARCs, which are expected to benefit around 12,000 households in 101 barangays. There were 43 ARCs where both infrastructure and APED sub-projects were ongoing or completed. Institutional strengthening had been undertaken in all the ARCs while the cooperatives and micro-finance institutions assisted under RF were serving 29 ARCs.

Based on an internal evaluation of more than 50 completed sub-projects, there have been some improvements in the living standards and/or quality of life of around 5,000 households in 23 ARCs. This is based on the benefits obtained from completed potable water systems, barangay feeder road improvements and some of the agricultural sub-projects which have increased household income. Furthermore, there have been considerable accomplishments in terms of number of households with

improved access to suitable drinking water and access to post-harvest facilities. Moderate accomplishments on improved access to farm lands were noted.

There has been good progress in the provision of draft animals and cultivation machinery which should improve the timeliness of land preparation and/or increase of the area of land cultivated. The activities related to perennial cropping, small livestock, vegetable and rural enterprises in 2004 have also resulted in some progress against the overall aim of assisting around 1/5th of the farming households in ARCs covered by the programme. The 3,717

Ex-farm workers make the grade as Agrarian Reforms Beneficiaries

Spanning 1,558 hectares mostly planted to fully productive African oil palm trees, the plantation that used to be owned by Kenram Philippines in Isulan, Sultan Kudarat is now collectively owned by 711 agrarian reform beneficiaries organized under two ARB cooperatives.

Roughly 1,000 hectares is titled "Kenram ARB Multi-Purpose Cooperative (KARBEMPCO)," consisting of 413 agrarian reform beneficiaries that had previously worked the land as company workers. The other 556 hectares, on the other hand, is titled in the name of Mapantig ARB Multi-Purpose Cooperative (MARBEMCO), whose 298 ARBs are mostly descendants of original settler families before the plantation was established in the '60s.

Both cooperatives separately operate their owned portions of the estate, and continue to earn income primarily from the sale of raw palm kernels (harvested as fresh fruit bunches or FFB) which they then sell to the previous owners. Roughly two-thirds of lands planted to oil palm on both sides of the estate are at the peak



of their productivity – even as yields of the remaining third of the nearly senile tree stand remain efficient enough to ensure recovery – more than enough to keep up with current daily minimum wage levels.

Not all ARBs are regular workers of the plantation, however. Both coops hire just enough regular plantation workers to keep up with labor requirements for the efficient operation of the plantation, preferring to keep things lean and maintain operation costs to a minimum. The two coops have a total of just 284 regular workers, of which around 275 are ARBs.

The rest of the remaining 436 ARBs rely on seasonal wage work as well as traditional farm work – cultivating rice or corn parcels in open spaces within the plantation, for instance – to earn a living, apart from annual dividends that they receive at the end of each year. Most earn less than P5,000 a month, barely within the poverty threshold.

Because the two cooperatives began operating the plantation only after they each received their collective Certificates of Land Ownership Award (CLOAs) in May of 2001, neither has earned enough to invest on non-plantation enterprises for the benefit of non-working ARBs. “Besides,” says KARBEMCO general manager Jaime Parangan, “most of what we have managed to save is allotted for the gradual replanting of more than 400 hectares of old oil palm trees. We can’t afford to just keep on harvesting and not invest in replanting, otherwise the plantation will not survive.”

The same sentiment is shared by Flex Buisan, vice chairman of MARBEMCO; 200 hectares of its own oil palm trees are past due replanting. Faced with this dilemma, both coops sought livelihoods from Support to Agrarian Reform Communities in Central Mindanao (STARCM), a seven-year project intervention for ARCs being funded by the European Union and being implemented by the Department of Land Reform (DLR, formerly the Department of Agrarian Reform).

Both were in the lookout for enterprises with relatively short gestation periods whose benefits could quickly roll over to their respective ARB memberships.

MARBEMCO, the first of the two to apply for an enterprise project, asked for a goat-raising project. STARCM’s response was quick, designing the production project under a ranch-type scheme whereby actual fattening and breeding of the goats will be assumed by the coop itself to maintain commercial production standards.

STARCM provided 60 does for the project, along with vaccines, vitamins and supplemental feeds sufficient for one cycle. The coop put up its own counterpart of five hybrid ducks (for breeding purposes), along with an elevated common shed where the goats

stay. A little over a year since the project was completed — the goats have produced over 60 kids.

KARBEMCO, on the other hand, asked for a swine raising project early 2004. STARCM delivered 30 sows ready for breeding, while the coop put up a building that houses pens for breeding and fattening. The coop is canvassing for three hybrid boars – still part of its counterpart – for breeding. The project will adopt the low-cost Korean natural swine farming method, in which the stock main feed ration is drawn by mixing base indigenous materials like rice bran with high-protein forage sources like Fleminja and Rhizonji, both of which will be grown by the coop. The natural farming method is expected to keep costs for feeds and vitamins low, ensuring a profitable enterprise for the coop. Like the goat project, the swine raising project also has a built-in dispersal scheme that will allow each ARB to receive a piglet.

Apart from the goat and swine projects, STARCM is also funding the construction of two ongoing infrastructure projects in the area. One involves putting up a 24-meter concrete bridge traversing a creek. The bridge – now half-completed – replaces a dilapidated wooden footbridge that had been declared unsafe for vehicles to pass through. The new bridge will allow households and plantation workers to transport their produce safely and at reduced hauling costs, aside from increasing general mobility on-site.

The other is a potable water system project for KARBEMCO’s area, Barangay Kenram, where some 463 of its households stand to get access to safe and easily available potable water throughout the day.



active borrowers from microfinance institutions can already avail of micro-finance loans.

The programme was subjected to an independent external review (Mid-Term Review) in September-October 2004. The review aimed to provide decision-makers with an informed judgment on the performance of the project over the past three and one-half years and to make recommendations on any changes required for the remainder of the programme. The main conclusion of the review was that, in the context of a difficult operating environment, the performance of the programme had been satisfactory. Other conclusions highlighted the weaknesses in the programme’s approach and strategies specifically relating to ARC development planning, the prioritisation of interventions, the long delay between identification and implementation of sub-projects, the need for more intensive support to LGUs, the need to focus on sub-projects’ quality rather than quantity and the importance of arrangements for sustaining benefits.

For 2005, the challenge for the Programme will be to maintain the momentum already established with the partners while addressing the recommendations of the Mid-Term Review.

Upland Development Programme for Southern Mindanao (UDP 1999-2006)

The Upland Development Programme for Southern Mindanao is the successor project of the Southern Mindanao Agricultural Programme (SMAP) of 1998 and builds on the gains and lessons of SMAP.

The UDP is supported by 18.3 million in grant funds from the EC and 30.35 million in counterpart funds from the government, partner financial institutions, LGUs and beneficiaries. The programme is being implemented in Davao del Sur, Davao Oriental, Compostela Valley, South Cotabato and Sarangani.

The UDP addresses these objectives: the development of a replicable model for sustainable upland resources management, and assistance to upland communities to help them address their subsistence needs as well as produce marketable surpluses through sustainable, market-led agricultural development.

In 2004, the Programme fast-tracked the implementation of activities and projects towards sustainable agriculture (diversified farming systems and soil and water conservation measures), access to credit through partnerships with financial institutions, strengthening of barangay-based associations and other partners and providing the necessary marketing as well as infrastructure support for agricultural development.

Specifically, the Municipal Planning and Development Offices (MPDOs) were enabled to undertake a land use participatory approach in preparing the formulation of five-year Barangay Development Plans (BDP).

The institutionalisation of extension services delivered in the uplands was another undertaking in 2004. The development of a national policy for sustainable upland development with the Department of Agriculture and other stakeholders was also vigorously pursued. The full-blown implementation of the diversified farming systems (DFS) program in 2004 paved the way for the adoption of the Slope Treatment Oriented Practices (STOP) to ensure that the crops planted by the farmers are appropriate and suitable in respect of soil depth, type and steepness of the slope on which the farm land is located.

As of 2004, there were about 6,000 hectares with diversified crops, contoured and protected by 6,000 farmer cooperators at various stages of development. In these areas, the basis for increasing farm incomes and proper land care has been put in place and these DFS farms act as models for other farmers.

Support services in terms of marketing, agricultural infrastructure and rural finance were also major endeavours in 2004. The marketing and enterprise component provided technical assistance, through engaging selected institutions/NGOs with specific on-farm and off-farm enterprise development expertise to provide business development services (BDS) to upland village, barangay-based enterprises and farmer entrepreneurs.

In respect of the income-generating objective, village enterprises and on-farm enterprise development heavily depended on good access roads to transport produce and inputs to and from markets down in the lowlands. UDP is working on the institutionalisation of a routine road maintenance model that can ensure that these roads are properly maintained, even after the end of UDP. The Programme continued to provide engineering services and institutional strengthening to the LGUs and barangay-based associations.

The Upland Development Loan Fund (UDLF) was transformed into the Upland Development Trust Fund (UDTF), in compliance with the Agriculture Fisheries and Modernisation Act (AFMA) and Executive Order 138.

The UDTF is now managed by the Land Bank of the Philippines as a wholesale credit delivery system to benefit upland households and enterprises. Likewise, the Programme entered into an agreement with the People's Credit and Finance Corporation (PCFC), another government financial institution like the Land Bank of the Philippines, as a wholesale



Upland Development Programme (UDP) created and funded the establishment of community cooperatives for farmers in far flung towns in Mindanao like this one in Sarangani province.

credit provider to financial institutions serving upland households with micro-credit.

Central Cordillera Agricultural Programme - PHASE II (CECAP, 1996-2004)

CECAP II is an integrated rural development project which started its operations in July 1996 immediately after the formal closing of Phase I on 30 June 1996. CECAP II was implemented over an eight-year period which ended on 9 July 2004, the last year of which was an extension period which was devoted to strengthening the capacity of the provincial and municipal governments in rural administration in general. It was implemented in 25 municipalities located in Ifugao, Kalinga, Abra and Mountain Province. The 25 municipalities comprise 341 barangays consisting of 49,000 households. Of this total, 248 barangays encompassing 38,000 households directly benefited from CECAP interventions.

CECAP II aimed to promote a self-sustaining improvement in the Central Cordillera by increasing incomes and strengthening resource management capabilities. CECAP II had a total budget of 27.5 million,

Co-operation Programmes

of which 23 million was EC grant and 4.5 million was the government counterpart contribution. These budgets did not reflect additional contributions provided by partner LGUs, rural communities and households. The EC grant covered direct investments including technical assistance, operating costs and equipment. The government contribution covered personnel and recurrent costs.

At the end of the Programme, CECAP II had achieved most of its physical targets with the completion of 2,627 micro-projects, which is in excess of the original target of 2,455. Since agriculture remained the principal activity of most people within CECAP area, adopting new and more productive farming enterprises and methods was the most realistic approach to raising incomes and nutrition standards, particularly for the poorer members of the communities. By June 2003, the total number of adopters of technologies promoted by the Programme reached 8,693 or 96% of the project's over-all target.

CECAP made an important contribution in addressing environmental issues. The 83 barangays which participated in community-based land-use planning activities exceeded original expectations. Twenty-three of 25 municipalities have set-up environmental councils through CECAP and, for most of them, this was the first attempt in addressing issues related to managing natural resources. A total of 6,202 households reforested unproductive areas, adopted sustainable production techniques through agro-forestry, stabilised their upland farms and planted trees to enrich existing woodlots.

CECAP assisted in the formation and strengthening of 1,413 savings and loans groups (SLGs), involving approximately 11,000

individual beneficiaries, established procedures for linking those who were willing to join the formal banking system and arranging for an institution building program that will continue under the Agricultural Credit and Policy Council's (ACPC) supervision after the closure of CECAP.

CECAP's marketing and enterprise development activities focused on support for 15 small barangay cooperatives with approximately 4,800 members. The programme also constructed a total of 37 marketing and post harvest facilities.

In the field of institutional development, CECAP assisted in forming and strengthening 88 Irrigators' Associations with 5,700 members and a further 120 village water associations with 6,250 members.

In terms of infrastructure, the programme rehabilitated 136 kilometers of road, constructed 32 kilometers of combined footpaths and pedestrian bridges, upgraded 47 kilometers of foot trails and constructed 29 pedestrian bridges.

In summary, CECAP met its principal result-level and purpose-level targets and has laid the foundation for a sustainable local development process.

Economic Self-Reliance Programme

Caraballo and Southern Cordillera Agricultural Development (ERP-CASCADE) 1997-2004

The ERP-CASCADE is an integrated rural development programme

Freed from "5-6" Moneylenders¹

For average Filipino parents, raising five children is tough enough. This is especially so because a family of five (three children and parents) according to 2004 poverty threshold levels, needs at least Php 500 to have decent meals a day. So parents with three children must earn more than Php 500 a day to have something for other needs such as children's education and health care.

It is, therefore, really difficult for Marcelina Kingkingan and her husband to raise five children, two of them in college, two in elementary school, and the youngest a baby. A native of Bayyo village in Mountain Province in the heartland of the Cordilleras in Luzon island, Marcelina married a man from neighboring Banaue in Ifugao Province, where they eventually settled.

While her husband saw logs into lumber, Marcelina took on odd jobs in the upland town, whose farmed rice terraces continue to attract tourists and visitors. She tried earning daily wages as a hired hand in some of the terraces. She said that by God's grace she and her husband were able to raise something for their children's tuition and daily allowances. But each time their children enroll in June each year, they would need quite a big sum for tuition downpayment. They had no other recourse but run to "five-six" moneylenders, so-called because these lenders require borrowers to pay them back Php 6 for every Php 5 borrowed in a month.

But something happened in 1997, which would later change the course of Marcelina's life. That was the time when CECAP, particularly its rural finance officers, conducted a training-seminar about how to help the low-income families improve their lives through a savings and loan group (SLG). One of the participants was Marcelina.

Having gone through the difficulty of paying loans from "five-six" moneylenders, Marcelina did not have a hard time getting

convinced about the wisdom of pooling small funds through weekly savings and being able to apply for a loan after 12 weeks. She joined six other members and formed an SLG they named Sunflower.

Determined to succeed and with the pressure from other fellow members, Marcelina religiously met with the other members each week, also saving each week the minimum required amount of Php 25.

In no time, Marcelina was able to loan Php 3,000 from the Center for Rural Finance Development, Inc., a savings and loans association or SLA, under which the Sunflower SLG is a member. With the loan, she cooked at home snacks like fried and sweetened bananas which are peddled to pupils of the nearby Patilong Elementary School. With two hours to sell in the morning and two hours in the afternoon, the Php 300 to Php 500 Marcelina would earn each day was not bad. From her earnings, she continued to save and paid promptly her weekly loan amortization.

Gaining more confidence in doing business, Marcelina applied for a bigger loan. She borrowed Php 25,000 from the DRFDI and opened her dream variety store. She would gross Php 50 on a bad day, but could earn as much as Php 300 daily. While maintaining her store, Marcelina has continued with her homemade snack business. To Marcelina's pride, both businesses, which were nurtured by the woman's industry and managerial skills, have been doing well.

¹ From "Our Savings, Our Hope, Our Freedom", Inspiring stories about how poor Cordillera folk in Northern Philippines have learned to save and rise above their economic difficulties, a publication of the Central Cordillera Agricultural Programme

operating in 182 barangays in 19 municipalities of the Caraballo and Southern Cordillera mountain ranges in northern Luzon which began in July 1997 and ended in July 2004. Its primary objective was to increase, on a sustainable basis, the level of income and standard of living of the population (around 25,000 households in total) in the target areas, 85% of whom are classified as Indigenous Peoples (IPs).

The Programme had a budget of 22.5 million, of which 13.5 million was grant from the EC, 4 million was counterpart from the national government (mainly personnel), 1.75 million was counterpart from the LGUs and 5.25 million were in-kind contribution from programme beneficiaries.

The Programme was designed as a successor programme to the EC-funded Earthquake Rehabilitation Programme-Agriculture Component (ERP-AC), implemented from September 1992 to July 1997, which was aimed at restoring infrastructure support to agricultural production in areas heavily devastated by the 1990 earthquake. However, ERP-CASCADE, unlike its predecessor programme (ERP-AC) focused more on the long-term sustainable development of the upland areas of Nueva Vizcaya, Benguet and the municipality of Carranglan in Nueva Ecija. It was also designed based on the lessons learned in ERP-AC and under the framework of the Social Reform Agenda and the Local Government Code.

Overall, the programme saw a high level of performance with a non-weighted average of between 80% and 150% in each of the components except the Rural Finance Component. Preliminary internal impact studies showed the programme has achieved some positive impact specifically in agricultural development, infrastructure, micro-enterprise development, institutional development and potable water supply systems. Internal assessment by the programme showed that farmer beneficiaries have realised some increase in incomes, micro-enterprise employment generated and substantive increase in LGUs' self-generated resources.

As a whole, the main success of the Programme was the strong institutional based it has helped establish in the programme area. The methodologies and systems established by the Programme could serve as models for replication and adaptation by other LGUs and even at the regional and national levels.

Palawan Tropical Forestry Protection Programme (PTFPP)

Implementation of the Palawan Tropical Forestry Protection Programme ended in June 2004, after a one-year extension, which served to consolidate the achievements of the main programme period (July 1995-June 2003) by further strengthening the capacity of the implementing agency, the Palawan Council for Sustainable Development (PCSD), and by involving more beneficiaries (LGUs and peoples' organisations /POs).

The programme's main goal was to help in the conservation of the forests of Palawan with an emphasis on catchments-based community planning and management through a sustainable development strategy. To achieve this goal, PTFPP sought to establish a replicable forest conservation model in one critical catchment per municipality with communities carrying out management plans.

The major accomplishment of the programme during 2004 was the finalisation of the 12 catchments' management plans which were presented to the communities and the LGUs for adoption and integration in the barangay/municipal development plans. The PTFPP completed the

training of community-based POs and indigenous people on agriculture and livelihood. Training on law enforcement and catchments management, policy formulation and fund sourcing was also given to LGUs, particularly from the Offices of the Municipal Planning and Development Coordinator and the Municipal Environment and Natural Resources.

By June 2004, the PTFPP had established 14 Tribal Learning Centers and provided them with school supplies and reading materials for beginners including para-teachers' incentives. The Department of Education approved a module on environmental education for elementary and high school and also continued teachers' training on environment. A non-formal education sustainability program was also initiated.

In 2004 the project constructed seven water systems and rectified seven more water systems in 12 priority catchments areas; it also provided a hammer mill and rotary composter drum in support to the Municipal Solid Waste Program of the Narra LGU. The boundaries of all community tenure lands were surveyed and marked with concrete monuments. A total of 31,078 ha of community-based forest management (CBFM) and certificate of ancestral domain claim (CADC) areas inside six PTFPP priority areas were approved inside the PTFPP areas.

In PTFPP's eight years of existence, it has generated, updated, acquired and shared a considerable mass of data which were processed to become useful information under the Geophysical Information System. The project assisted in the expansion of protected areas and in having watershed areas declared protected areas. It also helped

Co-operation Programmes

in ensuring that the rights of indigenous communities living in and around the protected areas are respected.

Above all, PTFPP has contributed to reduce the deforestation rate in Palawan. The Department of Environment and Natural Resources said that more than two decades ago, the rapid loss of Palawan's forests was estimated at 19,000 hectares annually. Today, the trend has reversed: conservative estimates from satellite data place the rate of increase from 10,000-15,000 hectares per year. More than 40% of Palawan's nearly 1.5 million hectares of land are still covered with forests – twice the national average.

Health Sector Policy Support Programme

The EC-Philippines Country Strategy Paper and the National Indicative Programme foresee a grant of 33 million for the Health Sector. This grant will be used to support the implementation of the government Health Sector Reform Agenda (HSRA) in selected provinces and to develop the capacity of the Department of Health (DOH) to support the reform process.

The HSRA aims at improving access to quality health services by Filipinos, especially the poor. This is expected to be achieved through a mix of complementary interventions aimed at developing local health systems, rationalizing hospitals, increasing enrolment into the Social Health Insurance system, strengthening public health programmes and developing government's capacity to regulate health services and products.

The vision is to provide an effective and efficient health service which people need and aspire to obtain. Better Rural Health Units with the necessary drugs and equipment and increased and sustainable enrolment into Philhealth's membership programmes, are some of the changes that Filipino people would like to see.

The EC regards the HSRA as a necessary undertaking for the sustained improvement of the health status of the Filipino people. This vision is widely shared by international donors, some of which are already implementing reform support programmes. The Department of Health promotes a more rational way to reform implementation based on the sectoral approach, i.e. an approach to support a country-led sectoral programme in a comprehensive and coordinated manner. The EC, whose development policy emphasises the sectoral approach as a way to rationalise the allocation of resources and their management, fully supports this orientation. The EC Delegation in the Philippines supports this initiative.

Considerable progress has been made by both donors and the DOH during 2004 to pave the way to the sectoral approach. It is envisaged to enhance donor coordination and harmonisation to avoid overlap, maximise complementarity, reduce unnecessary transaction costs and make the best out of available resources. Ultimately, all available resources would be aligned with national health objectives and policies. The forthcoming EC support will be tailored to this requirement.

Programme preparation activities have intensified in 2004. A Public Finance Diagnostic mission was fielded and its initial results are currently being analysed; a programme Formulation Mission will arrive in early 2005 with a view to have discussions with national and donor partners aimed at finalising a financing proposal for submission to relevant government authorities and the Commission. Subject to the Commission's

financing decision, the programme is planned to start in 2006.

Good Governance

The revision of the 2002-2004 NIP reflected new development priorities shared between the Government of the Philippines (GoP) and the European Union: the fight against terrorism and promotion of good governance.

The improvement of governance is another priority of EC co-operation with the Philippines, and is dealt with by two separate projects: "Access to justice for the poor" and "Prevention of corruption". The corresponding Financing Agreements were signed in August 2004 and both projects are implemented by the Supreme Court (SC)² and the Office of the Ombudsman (OMB). Both the SC and the OMB drafted overall work plans to prepare implementation.

Having been selected as a pilot country together with Indonesia and Pakistan, an EU Rapid Reaction Mechanism team performed a needs assessment in the Philippines and identified Border Management (BM) and Financing of Terrorism as the best areas for deeper EU-Philippines co-operation.

Two project proposals were subsequently prepared in close cooperation with GoP and with extensive consultations with Member States and other donors and were decided by the Commission in late 2004.

Access to Justice for the Poor

The two key components of the justice system are the Court system – with the Supreme Court supervising the lower courts – and the Barangay³ Justice System (BJS), resorting under the Department of Interior and Local Government (DILG). The functioning of the BJS is based on mediation. Poor and vulnerable groups have limited knowledge of the procedures and jurisdiction of the BJS and the courts, the costs of litigation, and the free legal services at their disposition as well as limited



Management & Monitoring - Through site visits around Bohol, participants learned how communities are organized and structured and how planning activities play a crucial role in effective resource management. In Agape village, Loay, the local government is actively involved in planning and natural resource management and utilization.

² Another agency may eventually take the lead on this.

knowledge of the law and their basic legal and human rights.

The Supreme Court is currently implementing a comprehensive Action Programme for Judicial Reform (2001-2006 APJR), financed by the GoP and a series of donors. The APJR has six components: judicial systems development, institutions development, human resource development, reform support systems development (this includes the information and communication function of the Court), institutional integrity development and access to justice for the poor.

The latter EC-funded project aims to improve access to justice for the poor by increasing their knowledge about basic rights and the judicial system, and through the creation of an enabling, supportive environment to this effect within the BJS, the Judiciary and the Police. The EC contributes 2.73 million to the four-year project and the GoP counterpart amounts to 740,404.

The Project concentrates on four results: decentralising and institutionalising the information function in and about the Judiciary, and making information accessible/targeted to the disadvantaged; empowering people at the barangay level to pursue justice, with a special focus on women and children, and improving the functioning of the BJS; sensitising the Police and the Judiciary towards the needs of the poor and the rights of women and children; and, advocating for the reform of the laws which go against the rights of women and/or children

Corruption Prevention Project

The Philippines was rated as the 102nd out of 146 countries ranked in the 2004 Transparency International Survey. The Office of the Ombudsman (OMB) estimated the losses caused by corruption in both the public and private sectors at about Php 48 billion (or about 700 million) for the same year.

Corruption negatively impacts on poverty reduction programmes in general and on the access to government services by the poor in particular. Corruption also discourages foreign investors, leads to regulations being ignored - putting at risk health, safety, and the environment and is a breeding ground for organized crime and terrorism.

The GoP is deploying intensive anti-corruption efforts and 17 government agencies are currently engaged in anti-corruption activities. The legislative framework needed to check graft is in place. However, there is little public confidence in the government's capacity to combat or to reduce corruption. The rate of successful prosecutions is low, major offenders appear to go unpunished and their apparent impunity gives rise to widespread public cynicism.

The objective of the EC project is to prevent corruption by building the capacity of the Office of the Ombudsman and of certain civil society organisations and government agencies and improve their cooperation. In 2004, 57 full-time litigators were handling more than 2000 cases and the conviction rate more than doubled since 2001, from 6% to 14 %, which is still a low level.

Particular emphasis will be on the role of civil society organisations

³ The 'barangay' is the lowest administrative entity in the Philippines, equivalent to a 'community'. The number of inhabitants varies from 500 to 4000. There are around 42,000 barangays with an average of 30 in each municipality.

(CSOs). The GoP Procurement Reform Law includes CSO representatives as observers in the tendering, award, and implementation of government contracts, as a means to help preventing corruption. Over 400 CSOs have been accredited by the OMB as Corruption Prevention Units with the necessary skills to carry out this function (e.g. the capacity to perform lifestyle checks).

The EC supports this three-year project with a grant of € 2.91 million while the GoP will provide 589,107. The OMB will be strengthened through improved management; staff capacities will be enhanced through continued training, 'training of trainers', specialists will be contracted

World Bank –ASEM Trust Fund to Support Ombudsman Fight Corruption

A \$ 716,000 grant to boost the Office of the Ombudsman's (OMB) anti-corruption activities was recently signed by the World Bank and the GoP. Funds come from the Asian Financial Crisis Response Fund of the ASEM Trust Fund administered by the World Bank. The EC is one of the major donors of this Fund.

The grant will fund technical assistance and capacity building activities, such as: training for field investigators; development of a computerized case-tracking system for OMB prosecutors; establishment of a data-banking system to facilitate the analysis of Statements of Assets, Liabilities, and Net Worth of government officials and employees

These activities are complementary to the EC-funded "Corruption Prevention Project" implemented by the OMB

as required and necessary equipment to support management and training purchased.

The project aims to achieve the following results: strengthened OMB management, including the establishment of a Management Information System; enhanced capacity of CSOs to work to prevent corruption in co-operation with the OMB; improved cooperation from the public in preventing and reporting corruption, by providing information in different forms (news articles, posters, radio, Internet); closer co-operation among GoP agencies to help reduce the risks of corruption in their ranks through training of managers.

Philippine Border Management Project (BMP)

Current Philippine border management mechanisms are in need of improvement with regard to fundamental issues such as information exchange, identity/passport documentation and related source data. Efforts such as the introduction of modern machine-readable passports, a significant measure considering the travel of almost eight million overseas Filipino workers whose remittances are critical for the economy in general and the well-being of many Filipino families in particular deserve support.

A 4.9 million grant for a three-year BMP will provide support to up to 22 key GoP border management agencies with the Bureau of Immigration and Deportation acting as leading partner. The GoP's counterpart contribution will total 0.7 million. The International Organization for Migration (IOM), contributes a further 0.25 million.

The BMP aims to contribute to the efforts of the Government of the Philippines (GoP) to more professionally manage national migration in accordance with international norms and protocols through strengthened and enhanced border security and management. Not only will this facilitate legal migration and trade, it will also help to combat human trafficking and other organised crime activities related to border crossing.

The main components of the project are: best practices review and analysis; intelligence information sharing through an Integrated Data Migration System-centralised at the National Intelligence Coordinating Agency; document integrity related to specific technology applications and awareness-raising; education and training activities for border management agents.

Anti-Money Laundering Project

Although in September 2001 the Anti-Money Laundering Act ("AMLA") had entered into force, the number of suspicious transaction reports investigated and brought-to justice in the Philippines remained very low by international standards. The Philippines remained on the "watch list" of Non-Cooperative Countries and Territories (NCCT) established by the OECD-based Financial Action Task Force (FATF) until very recently.

The EC approved a grant contribution of 0.96 million to help the GoP in strengthening the institutional capacity of the Philippines' Financial Intelligence Unit (Anti-Money Laundering Council or AMLC) and enhancing cooperation of the Supervising Authorities, Covered Institutions (financial sector), Judicial and Law Enforcement Institutions with the AMLC.

The project aims: to increase the institutional capacities of AMLC through the training of 10 selected staff from the Anti-Money Laundering related government institutions to become anti-money laundering trainers;

to enhance the capacities of 450 staff members from the supervising authorities (70), covered institutions (financial sector) (230), judicial and law enforcement agencies (90), and civil society (60) through training in anti-money rules and procedures and basic financial investigation methodologies.

The EC grant will be complemented by a GoP contribution of 107,000 and will cover up to three years. Its leading partners include the Bangko Sentral ng Pilipinas and the Financial Intelligence Unit (AMLC), the Department of Justice, the Philippines National Police, the National Economic and Development Authority and the Department of Foreign Affairs.

It will also help to combat corruption or other organised crime activities related to money laundering and should ensure that the Philippines not be reincluded in the Financial Action Task Force.

Assistance to Trade and Investment

Trade Related Technical Assistance Programme

At the ministerial 2001 WTO meeting in Doha, the European Commission pledged its support to the developing member countries participating actively in the international trading system and in the new round of negotiations to make it a development round.

As one of the Philippines' major trading partners, the European Union is particularly committed to support the country's reforms aimed at maximising the benefits it can gain from international trade in terms of economic development and employment. In this context and in response to the most urgent needs expressed by the concerned agencies and in close co-operation with the National Economic and Development Authority (NEDA), the European Commission formulated and approved on 19 November 2004 a bilateral Trade Related Technical Assistance (TRTA) programme.

This 3.5 million programme aims to assist the Philippines in building an enabling economic environment and to improve economic governance with a view to significantly enhance trade and investment with the EU.

It aims to improve the access of Filipino exports to the expanded EU market by increasing their compliance with Technical Barriers to Trade (TBT) and Sanitary and Phyto-sanitary control (SPS) requirements.

The programme will be implemented by NEDA in close collaboration with the Department of Agriculture (DA), the Bureau of Fishery and Aquatic Resources (BFAR), the Philippine Coconut Authority (PCA), the Bureau of Customs (BoC) and the Bureau of Product Standards (BPS).

It will cover the following sectors: Technical Barriers to Trade (TBT)/ Product Standards, Sanitary and Phyto-Sanitary controls (SPS), trade facilitation by improving Customs' operations, and WTO-related capacity building.

Furthermore, the programme will focus on significant and promising export sectors to the EU, notably on electric and electronic goods as well as on two food chains, respectively, for fisheries and coconut products. The former is particularly significant in terms of value, representing around 5 billion per annum or 70% of all EU imports from the Philippines. The two

food chains are important in terms of export potential. Food and feed exports of the Philippines in 2003 were estimated at around 1.7 billion, the bulk being in fishery, aquaculture and coconut products, the latter representing the livelihood of more than 500,000 planters.

The programmes' expected results are:

- (a) Enhanced knowledge and know-how of key operators (public and private) of international trade rules and of EC regulations, notably in the areas of TBT and SPS.
- (b) Expected higher confidence of EU authorities and importers in the quality and safety of Filipino exports through an upgraded TBT and SPS regulatory framework, improved conformity assessments and improved knowledge of enforcement measures.
- (c) Improved access of Filipino exports to the EU as well as speedy customs clearance for legitimate imports into the Philippines.
- (d) The establishment of a fair and efficient environment within which Philippine inter-national trade can operate, together with improved day-to-day management of the customs process and sustainable development at the Bureau of Customs.
- (e) Enhanced knowledge and capacity of government agencies, training institutions and the private sector in dealing with WTO/ international trade related issues and improved coordination and cooperation among themselves on these issues.

EU-Philippines Small Projects Facility (SPF)

The Small Projects Facility is a grant programme designed to support the on-going reform and modernization of the Philippine economy, while increasing mutual awareness between the EU and the Philippines. Specifically, the SPF aims at funding short-term but high-impact projects in strategic areas of economic development and governance.

The financing agreement was signed in May 2003 and the SPF started in March 2004. The first Call for Proposals was launched on 5 July 2004 with priority areas focusing on good governance, accountability mechanisms and civil society participation; regional economic integration; and corporate governance.

For the first deadline, on 3 September 2004, 23 proposals were received. Of these, four have been selected for funding. The contracts, to be signed in January 2005, amount to a total of 376,980.

- Development Academy of the Philippines: "Conference on e-Local Governance: Philippine-European Perspectives." This project will establish a forum where LGUs will share best practices in implementing e-government initiatives. A network of practitioners will be constituted to further build capacity on the subject. Grant amount: 117,085.
- City of Taguig: "eTaguig- Enabling Good Governance with European models as benchmarks. A public information access and issue management portal. "This project will enable good governance reforms in the City of Taguig through ICT and strengthening partnerships with civil society. Grant amount: 70,000.
- Action for Economic Reforms: "Local Monitoring System on the Millennium Development Goals." The project aims to improve local

capacity to monitor progress in the Millennium Development Goals by developing a functional information system appropriate to local needs and resources. Grant amount: 100,168.



From left Taguig Mayor Sigrido Tingo, DAP President Eduardo T. Gonzalez, Ambassador Jan de ok and Mr. Guy Platon sign SPF grant agreements in the Delegation office in Makati City.

- Non-Timber Forest Products Exchange programme (NTEP-EP): "Modern indigenous handicrafts from the Philippines." The project will explore and expand European high end fair-trade opportunities for indigenous Philippine handicrafts made from Non-timber Forest Products, in particular the MODI label. Grant amount: 89.727.

Apart from the quality of their design, projects were selected for their likelihood to produce a direct impact at policy level, to offer models for best practice, as well as their potential for creating links between the Philippines and the EU.

A total of 2.2 million remains to be allocated for projects in the Philippines during the year 2005.

The Second Call for Proposals for the SPF will be launched on 7 March 2005. Deadlines will be in June and September 2005.

During 2004, an intensive information campaign on the SPF and EC funding opportunities has reached more than 600 NGOs, LGU, academic institutions, business associations and government agencies. Information campaigns will continue during 2005.

OTHER PROGRAMMES

EC support to the Philippines through Grant Programmes

There are 15 horizontal and 12 thematic budget lines utilized by the EC to directly promote EU policies in co-operation with civil society groups, NGOs and specialized organizations. The average global budget amounts to about 1 billion per year. The horizontal and thematic budget lines are based on multi-annual and annual work programmes for grants. The implementation modality is through a call for proposals or direct agreement, especially in cases of relief and rehabilitation concerns.

The horizontal budget lines refer to cross-cutting issues and policies that include human rights, gender equality, environment and forest protection, health, NGO co-financing, food security and other related issues. The thematic lines refer to humanitarian and rehabilitation assistance with specific country or regional priorities.

In the Philippines, there are nine applicable horizontal and thematic budget lines while there are five horizontal lines with 18 ongoing projects with a total EC commitment of almost 29 million.

European NGO Co-Financing

This budget line is focused on alleviating poverty, enhancing the quality of life and developing capacities of the poor. The projects are implemented in collaboration with local partners (NGOs, people's or community organizations, LGUs) with EU NGOs providing 25% to 50% counterpart to the total project costs.

There are eight projects under the co-financing with EU development NGOs in the Philippines. These projects address the basic needs and promote as well the human rights of urban and rural poor communities in Luzon, Visayas and Mindanao. Interventions include capacity building for and partnerships with LGUs, community groups and SMEs (small to medium enterprises); media and policy advocacies on fair trade, women and children's rights; community development; market-

matching (jobs and products); and, technical/vocational education for the youth.

Some Key Results

- The project on prevention of woman and child trafficking in Visayas and Mindanao has resulted in the formation of a regional coalition, CATCH-WISE (Consortium Against Trafficking in Children and Women in Sexual Exploitation). The consortium involves five NGOs working on legal and paralegal education and services, crisis and drop-in centers, gender sensitivity, policy and media advocacy, and LGU capacity building. The project has been instrumental in initiating quarterly engagements with the PNP, DSWD, and local health units to address the implications of the new law on trafficking, police work, direct services and rescue operations affecting the trafficked and prostituted women and children in the four provinces of Visayas and four provinces of Mindanao.
- The project on professional training for marginalized youth in Davao Oriental and the Visayas contributed to the family income of the trainees/graduates by as much as 55% in urban areas and by 48% in rural areas. More than a thousand youth (at least 10% females; affirmative action is being planned to increase their access) including young people in conflict with the law have been trained and are directly benefiting from the project. The estimated number of poor and marginalised indirect beneficiaries are 600 families (with an average of eight members) or 4,800 individuals. The trainees/graduates have undergone job training, job placements, apprenticeships, or self-employment options. Some graduates have even reached management positions while others were sent to Japan (coordinated by industry partners) for further training.

Decentralised Co-operation

This budget line aims to diversify and strengthen civil society and foster grassroots democratization as well as participatory development to meet the needs of the people and to be responsive to people's initiatives. The Philippines has not regularly been eligible to this budget line regularly given its status as a middle-income country. Project partners provide at least 20% counterpart for the project costs.

Some Key Results

- The consortium project on people's participation in sustainable integrated area development is implemented by the Balay Mindanaw Foundation (Misamis Oriental, Northern Mindanao), Quidan-Kaisahan (Negros Occidental, Western Visayas), and PhilNet-Rural Development Institute (Leyte and Biliran, Eastern Visayas) with some support from ChristianAid (UK). Applying the COCO BREAD framework (Collective, Critical, Creative Consciousness Raising; Organisation Development and Leadership Formation; Coalition-building and Advocacy Work; Overcoming Gender and Other Biases), they were able to generate partnership arrangements with the LGUs and community organisations in: 36 poor communities in Negros Occidental particularly in the municipalities of Binalbagan (4), Hinigaran (20), La Castellana (5) and San Enrique (3); 54 rural villages in Biliran, Eastern Visayas particularly in the municipalities of Almeria (13), Biliran (11), Cabucgayan (13) and Caibiran (17); and 39 indigenous peoples' communities Misamis Oriental particularly in Gingoog City (21) and Claveria (17).

Environment and Forests

This budget line is focused on integrating environment dimensions into the development process as well as providing support for conservation and sustainable management of tropical forests and other forests in developing countries. Project partners provide at least 20% counterpart for the project costs.

There are six ongoing projects under this budget line and three of which also cover other Asian countries. Half of the projects are led by Philippine-based NGOs and the other half, by European NGOs and the UNDP.

Some Key Results

- The VSO-SPARK Program (Sharing and Promotion of Awareness and Regional Knowledge - Promoting Community-based Approaches to Natural Resource Management) is co-funded by DFID. The project covers Eastern Samar and Agusan del Sur in the Philippines, Nusa Tenggara Timor (NTT), Halimun-Salak, Kuningan District and Tana Toraja in Indonesia and the North-east Region in Thailand. Using the facilitator approach and partnerships with volunteer-specialists (including *Deutscher Entwicklungsdienst* or the German Development Service and local governments as well as park management groups, they facilitated 'lesson learning' and modeling through various cross-border study tours, forest product research, mapping and forest management planning, and the start of a knowledge database on community-based natural resource management. Indigenous community leaders (including a few women) have been able to participate in the capacity-building activities and sharing sessions in the Philippines and Thailand.
- The integrating forest conservation with local governance in Luzon (Occidental Mindoro, Kalinga), Visayas (Antique, Negros Occidental, Cebu) and Mindanao (Misamis Oriental, Surigao del Norte, Tawi-Tawi) project is implemented by the Haribon Foundation with support from the BirdLife International. To-date, more than 350 LGU officials, local DENR staff and community leaders participated in the training and conferences (e.g. rainforestation, *bantay-gubat/ forest guard* paralegal trainings, land use planning, etc.). Co-management agreements between the LGUs, DILG and DENR have been forged, with a total of Php 1.81 million commitment from

LGUs in the form of budget allocations for forest conservation efforts in Sablayan, Sibalom and Antique province. Seventeen reforestation nurseries and 12.8 hectares rehabilitation sites planted to indigenous species have been established in Antique and in Sablayan, Occidental Mindoro.

European Initiative for Democracy and Human Rights (EIDHR)

This budget line has numerous sub-themes or campaigns, and the applicable ones for the Philippines are: support for democracy, good governance and the rule of law; abolition of death penalty; prevention of torture; rehabilitation of victims of torture; promotion of the International Criminal Court (ICC or Rome Statute); promotion of indigenous people's rights; and AENEAS, the latter referring to the budgetline providing technical and financial assistance to third countries on migration and asylum issues.

There are two projects in EIDHR-abolition of death penalty campaign.



As part of the Environment and Tropical Forest Programme in Developing Countries of the European Commission, Haribon staff help facilitate the socio-economic assessment of local people in Loreto, Dinagat Island. The study aims to evaluate perception of local people in changes in land use and utilisation of forest resources. (Photo Credit: Haribon Foundation)

The UP Foundation/UP DNA Laboratory project utilises forensic DNA technology to assist 'death row' inmates in getting a fair and swift administration of justice. The third DNA analysis laboratory in the country to be set up (the other two are with the PNP and the NBI, both used for prosecution cases) assisted in five post-conviction death penalty cases. They also brought together forensic specialists from the Asia-Pacific to highlight the human rights (including gender-based violence such as rape, acid throwing, etc.) dimension of the technology.

The PhilRights project focuses on information drive and advocacy network formation such as the Mamamayan Tutol sa Bitay-Movement for Restorative Justice (MTB-MRJ). This network is present in Luzon, Visayas and Mindanao. The project has continuously raised in the public arena the cruelty of death penalty, the need for the Philippine government to ratify the Second Optional Protocol to the International Convention on Civil and Political Rights (ICCPR), the production of a video documentary on death penalty, and the gathering of support from legislators (Congress) against the death penalty.

Reproductive and Sexual Health and Rights

This budgetline is a sub-theme in the health budget line and aims to secure the right of women, men and adolescents to good reproductive and sexual health, including access to a comprehensive range of safe and reliable reproductive and sexual health care services and products as well as emergency obstetric care. Project partners provide at least 10% counterpart for the project costs.

Currently, there is one project in this budget line, called EC Support for accelerating community-based responses to reproductive and sexual health and HIV/AIDS of Philippine youth implemented by the Philippine NGO Support Program, Inc. (PhanSup).

The project has served 80,000 young people (14-24 years of age) and more than 2,000 adults in Luzon and Visayas (e.g. parents, teachers, LGU officials, caregivers, etc.) through the setting up of teen centers, holding of thematic workshops and distributing IEC materials; convening the first i-camp/youth camp on sexual and reproductive health in the Asia-Pacific; and providing of community grants and technical assistance to 11 organizations (linked with the Philippine National AIDS Council or PNAC) in Luzon and Visayas to facilitate access of young people to sexual and reproductive health education and services (including counselling).

Aid to Uprooted People

As a result of the armed conflict in Mindanao, a total of ten projects in support of Internally Displaced People (IDPs) have thus far been committed by the EC costing approximately 11.7 million. Six of these projects are ongoing in 2004 and are being implemented in close collaboration between European NGOs/ International organisations and local NGOs in Central Mindanao. In 2004, the Delegation launched its first Call for Proposals in the Philippines which resulted in the awarding of two grant contracts totalling 1.8 million. The Delegation foresees to launch another Call for Proposals in the country in 2005. Sometime in July 2004, the Commission launched an evaluation of the regulation on Aid to Uprooted People in Asia and Latin America. For the desk phase of the evaluation, the Delegation provided the evaluators relevant information about the IDP projects in the Philippines. Details of the ongoing projects are given in the Table and in the map of the project areas.

These projects are designed to facilitate the rehabilitation and reintegration of IDPs into the socio-economic fabric and to help them resettle. These projects serve as a bridge from emergency-relief activities undertaken by ECHO for rehabilitation and development programmes. It is necessary to extend assistance to rebuild the lives of the IDPs in order to ensure that the stable conditions continue. The interventions planned under these projects include, among others, agricultural rehabilitation, livelihood assistance, house and school reconstruction, water and sanitation, health and community pharmacy, psycho-social recovery, co-financing of productive micro-projects, improvement of household food security, and peace-building initiatives.

Activities: Important preparatory activities, such as thorough needs analysis and assessment in close co-ordination with the local communities, have been undertaken under these projects. Social preparation for the identified programme beneficiaries in each of the barangays and villages was also undertaken. All of these preparatory activities, including a good understanding of community dynamics and structures and full community consultation, are vital for gaining acceptance of the local population and designing projects that are truly owned and acceptable to the community.

Security Problems: For the most part of 2004, a number of the projects carried out their activities despite the increased security concerns in the project areas and despite violations in the ceasefire agreement between the government armed forces and the Moro Islamic Liberation Front (MILF). In certain areas of Central Mindanao, security problems hindered the progress of some projects and resulted in delays in project implementation. Early in November of the year, three NGO staff were kidnapped in Lanao del Norte but were immediately released unharmed. The security conditions deteriorated also because of the pervasive criminality in the area. Although there were sporadic clashes between the military and the rebel groups, the presence of an international team monitoring the peace process prevented the escalation of the clashes in Mindanao.

Impact: The results of the Aid to Uprooted People projects are testimonies of how 30 years of instability and war can transform the lives, attitudes and the minds of the internally displaced people. The condition of poverty,

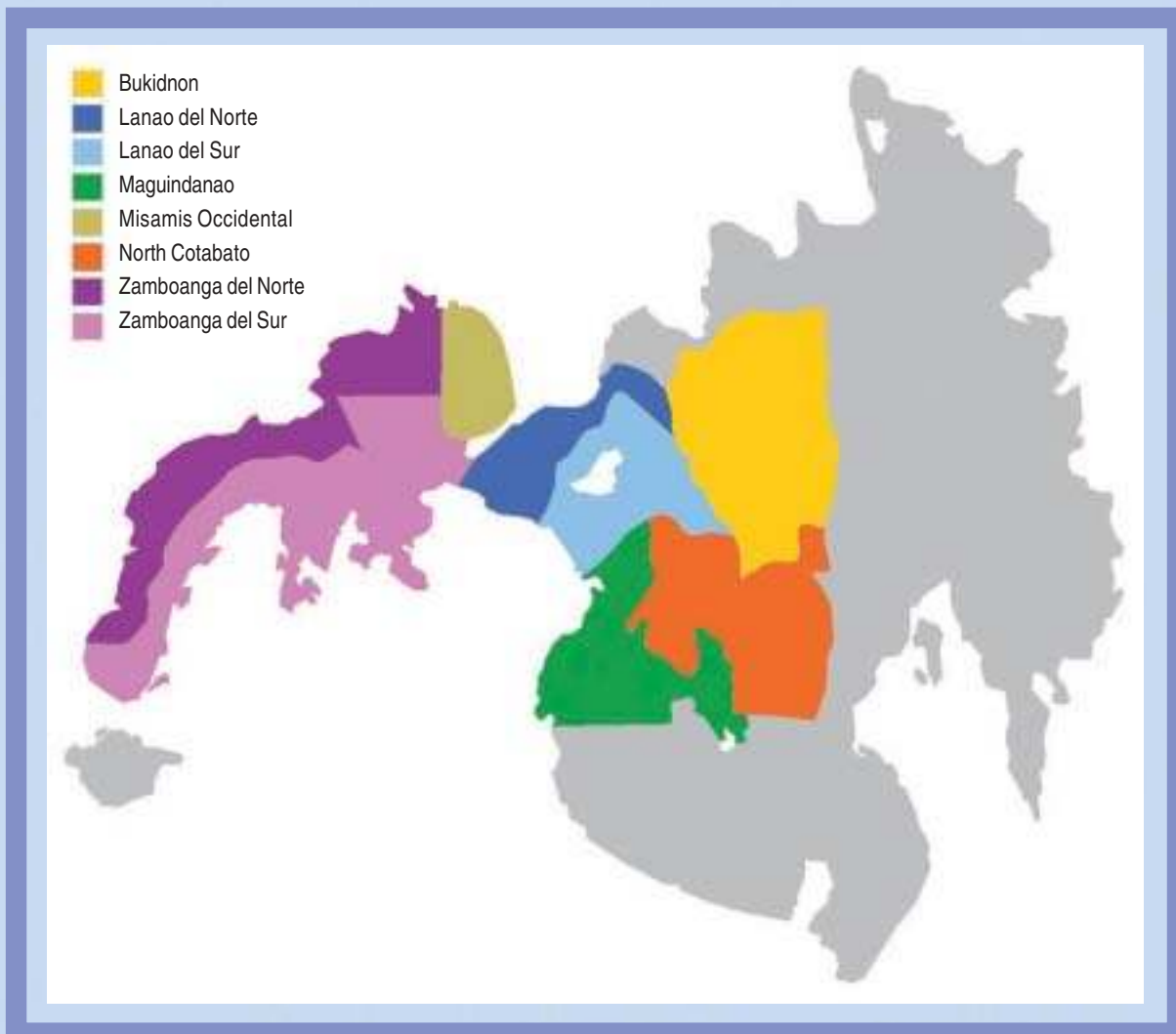
Profile of IDP Projects : Ongoing Projects

Title of Project and Implementing NGO	Project Cost million	EC Contribution million	Duration	Status
Technical and Organisation Assistance for Civil Society Action of the Displaced and at risk in Mindanao (TOSCADAR) VSO, UK	1.19	0.9	June 2001 - Dec 2004	<u>Location:</u> Lanao del Norte, Lanao del Sur, Bukidnon, Zamboanga del Norte, Zamboanga del Sur, Misamis Occidental <u>Main Objective:</u> To strengthen individual livelihood and resilience and build community relationships between groups potentially at risk from the spread of conflict in target areas <u>Components:</u> Capacity-building for partners in the following fields: management, rural engineering, agriculture production, small enterprise development, health and education, community mobilisation, and governance and counseling
Assistance to Improve the Living Conditions for the War-affected Families in Lanao del Sur and Maguindanao. (Accion Contra el Hambre)	0.88	0.80	Sept 2002 - Feb 2004	<u>Location:</u> Balabagan, Kapatagan, Butig in Lanao del Sur and Maguindanao <u>Main Objective:</u> To contribute to the reduction of vulnerability in Lanao del Sur and Maguindanao Provinces <u>Components:</u> Establishment of a system of permanent monitoring of vulnerability in the target areas and provide support to the basic needs in the home areas.
Consolidation of the Socio-Economic Integration Process of Marginally Internally Displaced Farmers in Lanao del Norte, Mindanao (Movimondo, Italy)	1.4	1.2	July 2002 - Oct 2004	<u>Location:</u> Munai, Bacolod, Tangkal and Kauswagan in Lanao del Norte <u>Main Objective:</u> To promote food and health security among marginal internally displaced farmers <u>Components:</u> Distribution of crops and agricultural inputs; training and capacity building for farmers; establishment and management of a corn mill and drying facility; rehabilitation of strategic farm to market road; organizing farmers into cooperatives; and rehabilitation of a health center
Support to the socio-economic integration process of IDPs in the municipalities of Piagapo, Kapai, Marantao, Marawi in Lanao del Sur (Movimondo, Italy)	1.07	0.96	Oct 2003 - Jan 2005	<u>Location:</u> Municipalities of Piagapo, Kapai, Marantao, Marawi in Lanao del Sur <u>Main Objective:</u> To contribute to self-sufficiency and full re-integration of uprooted people in the target municipalities <u>Components:</u> Co-financing of productive micro projects; provision of house construction materials; rehabilitation of a public school; construction of four multi-purpose centres for basic social services
Support to the consolidation of the local capacities of the population in conflict-affected areas in Lanao del Sur and Maguindanao Accion Contra el Hambre (ACH, España)	0.67	0.60	Oct 2003 - Jan 2005	<u>Location:</u> ARMM region covering Lanao del Sur and Maguindanao Provinces <u>Main Objective:</u> To enhance the living conditions of the population affected by the conflict in rural areas of Maguindanao and Lanao del Sur <u>Components:</u> Strengthening of observatory of vulnerability in order to consolidate the local capacities and the cooperation among local counterparts; capacity building and increasing coping mechanisms of families; improving household food security
Supporting and Rehabilitating IDPs and Communities in Southern Philippines UNDP	13.5	3.0	Jan 2004 - July 2005	<u>Location:</u> Cotabato, Davao del Sur, Saranggani, South Cotabato, Sultan Kudarat, Maguindanao, Lanao del Sur, Lanao del Norte, Zam del Sur, Zam del Norte, Zam Sibuguey, Sulu, Basilan, Tawi-Tawi, Palawan <u>Main Objective:</u> Provision of a comprehensive rehabilitation package for the internally displaced people in Southern Philippines while capacitating them to promote the culture of peace in the area and strengthening the different support mechanisms and institutions. <u>Components:</u> Relief assistance, Building Confidence, Rehabilitation, and Culture of Peace

Profile of IDP Projects : New Projects

Title of Project and Implementing NGO	Project Cost million	EC Contribution million	Duration	Status
Peace Enabling Actions for Community Empowerment in North Central Mindanao VSO	0.87	0.7	Feb 2005 - Jan 2007	<u>Location:</u> Lanao del Norte and Lanao del Sur <u>Main Objective:</u> Cultivate structures and processes that sustain understanding and collaborative peace initiatives among and within communities affected by displacement in the target areas. <u>Components:</u> Technical assistance for partners, Organizational development, Agro-forestry, Aquatic resources management, Coastal resources management, advocacy, training.
Taking Roots Again: A Vulnerability Reduction Program for the IDPs in Mindanao Citizens' Disaster Response Center (CDRC)	1.3	1.1	Feb 2005 - Jan 2007	<u>Location:</u> Lanao del Norte, Zam del Norte, Sibugey, Misamis Oriental, Zam Sur, Compostela Valley, Maguindanao, Cotabato, Sultan Kudarat, Surigao del Sur, Agusan del Norte, Bukidnon <u>Main Objective:</u> Increase the communities' capacity for food production and providing them with more access & opportunities for economic livelihood. <u>Components:</u> Distribution of farm equipment, inputs, rice, corn, veg. seeds; livestock dispersal; Handicrafts projects; Installation of water system; feeding & nutrition program, Education & Training of health workers; Peace-building initiatives; Purchase of tents.

Location of IDP Projects in Mindanao



abandonment, isolation, erosion of social capital, loss of skills and dwindling expectation and confidence in the future are common to all the war affected areas where the IDP projects are undertaken. These projects made it possible to change this situation. A change for the better and to win back the confidence of the people eroded by the promise of help often not fulfilled. One concrete action is the promotion of sustainable systems of cultivation and advocacy of crop diversification to assure a stable income and healthy food for family consumption which have helped the people become real farmers as they used to be before the war. The seeds for economic growth and the culture of peace have been sown in these projects.

REGIONAL PROJECTS

ASEAN Regional Centre for Biodiversity Conservation (ARCBC)

In the mid-1990s, the concept of establishing an ASEAN institution to promote knowledge sharing about best practices and common efforts in the biodiversity sector had arisen, and led to an EC-funded project to support the establishment of ARCBC which started on 17 February 1999 and closed in December 2004, after a period of five years and 10 months. The total EC contribution to this project was 9.4 million. The EC provided the means for networking, applied research, training and technical assistance, while the ASEAN provided office space and facilities and support staff.

The project aimed to intensify biodiversity conservation through improved co-operation in a regional context, by assisting in setting up a network of institutional links among ASEAN countries (Brunei, Cambodia, Indonesia, Lao, Malaysia, Thailand, The Philippines, Singapore and Vietnam) and between ASEAN and EU partner organizations. The project assisted ASEAN countries in developing a framework for improving technical and institutional approaches through regional co-operation for managing biodiversity conservation. The project operated from its central offices in Los Baños, Laguna.

A Steering Committee, composed of members of the ASEAN Senior Officials on Environment (ASOEN) was responsible for over-all coordination and guidance of ARCBC while the Philippine Department of Environment and Natural Resources was the Executing Agency, acting on behalf of the ASEAN. The interface of ARCBC with national authorities and biodiversity institutions was course through a National Biodiversity Reference Unit (NBRU), established and maintained within an existing institution in each ASEAN member country. NBRUs were responsible for providing a local instrument for in-country follow-up of ARCBC activities, constituting a first reference for the screening of research proposals prior to submission to ARCBC and representing the national focal points of the ASEAN Biodiversity Network.

Training and extension was a key aspect of ARCBC, including training needs assessments of institutions and human resources in order to design training packages and methods for individuals and stakeholders involved in biodiversity conservation. Assessment and improvement of biodiversity curricula in academic and training institutions were also part of the training component.

ARCBC developed and implemented an exchange programme for professors and researchers among ASEAN institutions, invited European leading experts to facilitate the transfer of knowledge and experience and implemented thematic workshops and policy fora on biodiversity conservation.

Awareness on the value of biodiversity was another critical element in the project. ARCBC implemented information, education and communication activities through various media including the internet, the publication of a quarterly newsletter (ASEAN Biodiversity), TV films, books and other biodiversity reference material.

The results of ARCBC are impressive. The ARCBC has also been instrumental in the standardization of habitat classification for ASEAN as well as in the preparatory process of the ASEAN Framework Agreement on Access to Biological and Genetic Resources. Research conducted in the different countries produced very important results, such as the discovery or recording of more than 110 new fauna and flora species.

Rediscovering Philippine Biodiversity The ARCBC Research Grant Programme

The ARCBC Research Grant Programme was a 2.75 million research grant from the EC that supported 53 selected research projects in nine ASEAN countries. These grants provided invaluable contributions for the preservation of the biodiversity richness of Southeast Asia.

The ARCBC-funded project entitled "Inventory of scleractinian corals of the Pacific coast of the Philippines Part 1: Eastern Visayas and North-Eastern Mindanao", led by Dr. Wilfredo Licuanan of the University of the Philippines – Marine Science Institute (UPMSI) was a unique opportunity to examine corals in virtually unstudied waters of a country that is at the center of diversity of corals. Over the short span of the project, six new species for the Philippines were described. The project contributed to developing expertise in taxonomy and systematics, as well as in biodiversity conservation in less developed countries. Posters in local languages/dialects have been developed to instil awareness among local people of the importance of coral reefs.

Most of the samples collected for this project remain with the coastal community where the collections originated and are now serving as a reference for locals and for focal points in engendering community's pride and concern for local biodiversity.



ASEAN Secretary-General H.E. Mr. Ong Ken Yung presents ASEAN Heritage Park banner to Mr. Prawat Wohandee, Park Manager, Thailand's Khao Yai National Park. The Khao Yai National Park has been labeled as an ASEAN Heritage Park. (Photo Credit: ARCBC)

Through the efforts of ARCBC, the guidelines and criteria for the establishment of the ASEAN Heritage Parks have been approved by the ASEAN Ministries of Environment. The ARCBC also made possible the adoption of the Guidelines on Competence Standards for Protected Area Jobs by the ASEAN members.

In summary, ARCBC has served as the central focus for networking and institutional linkage to enhance the capacity of ASEAN in promoting biodiversity conservation. The project has proven that an ASEAN institution of this type is an important and valuable contribution to the future of the biodiversity sector in the region.

ASEAN Centre for Biodiversity (ACB)

Based on the lessons learned from the ARCBC experience, a new EC project will re-shape the ASEAN Regional Centre for Biodiversity Conservation (ARCBC) into the ASEAN Centre for Biodiversity (ACB) in 2005. The ACB is envisioned to become an even more effective institution fully under the ASEAN regional auspices. The EC contribution, which was approved at the end of 2004, will total 6 million in the form of a grant from 2005 to 2008.

The project aims to achieve strengthened regional capacity on biodiversity in ASEAN by promoting the exchange of relevant knowledge, thus helping national, intra-ASEAN and international needs and commitments to be fulfilled in terms of retrospective monitoring and early warning systems, while facilitating greater investment in the biodiversity sector within ASEAN.

The ACB will put more emphasis on policy development than its predecessor.

The EC and the ASEAN member countries agreed that a pre-condition for the project implementation is that the ASEAN Centre for Biodiversity should be established as an international organization with its own legal identity. This process is now ongoing.

A key aspect will be to ensure the long-term sustainability of the Centre. A special ASEAN endowment fund is to be established for this purpose. ASEAN is expected to contribute a total amount of 1.3 million to the operation of ACB for the next three and a half years from 2005 to 2008. Once legally established, the ACB will raise an endowment fund targeting 20 million to support continuity of the Centre after the end of EU support. ASEAN will endeavour to raise 5 million towards the end of the project within ASEAN countries.

The ACB will perform its role in intensifying biodiversity conservation through improved co-operation in a comprehensive regional context. As such, the EC will continue not only to have its presence felt in the ASEAN, but more importantly, to assist in any way it can help the ASEAN in protecting its remarkable and unique natural resources.

EC-UNDP Small Grants Programme for Operations to Promote Tropical Forests

The EC UNDP Small Grants Programme for Operations to Promote Tropical Forests (EC UNDP SGP PTF) in South and Southeast Asia is a fully-funded EU initiative (15.13 million) managed through UNDP and SEARCA (Southeast Asian Regional Center for Graduate Study and Research in Agriculture). The EC UNDP SGP PTF focus is on the provision of small grants (between 20,000 and - 200,000), on a competitive basis, for community-led initiatives, which promote the sustainable management of tropical forests. This programme started in 2000 and will conclude in 2007.

The EC UNDP SGP PTF has actively engaged indigenous peoples and the rural poor in developing alternative sustainable livelihood and in bringing back to the fore indigenous forest management practices to ensure the sustainable use of their forest resources. The EC UNDP SGP PTF recognises the need for active coalitions of a broad range of local stakeholders to ensure project sustainability post grant funding. Furthermore, the EC UNDP SGP PTF has sought to increase the immediate impact of country programmes through joint funding initiatives with other small grant donors, local government funding and the private sector.

The EC UNDP SGP PTF has been tasked to operate in Cambodia, Indonesia, Laos, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam. As of December 2004, country-programmes were underway in Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam. Start up activities began in Cambodia and Indonesia but the decision to commence activities in Laos remains pending.

Since January 2003, the EC UNDP SGP PTF has received a total of 920 proposals and of this number, 101 have been accepted for funding representing a commitment of 4,297,458 in grant funds, or 38% of the total grant funds available. The EC UNDP SGP PTF has been tasked to achieve full commitment of all grant funds in all countries by December 2005.

From 2001 to December 2004, total expenditures amounted to 2,032,040.58 representing 85% of the initial tranche of 2,400,000 allocated to the EC UNDP SGP PTF.

The EC UNDP SGP PTF was subject to an external Mid-Term Review in November 2004. The MTR review concluded that the SGP was highly relevant, effective and relatively well managed. Recommendations to further improve the EC UNDP SGP PTF focussed on the need to: realign the existing budget emanating from

Nurturing Life

Land is life. It is home. It nurtures and sustains life. This is what the indigenous communities in the country uphold. This is what SGP PTF Philippines upholds. SGP PTF Philippines is designed to support the long-running struggle of the IP communities for recognition of their ancestral domain, the repository of indigenous knowledge and practices, a piece of land where their lives are rooted and where the future generation heavily relies for sustenance.

In a year and a half of proposal development and processing, four major interventions became the essence of SGP PTF Philippines: Forest Protection and Development, Livelihood Support, Capability Building, and the support for the processing of the Certificate of Ancestral Domain Title (CADT), a legal instrument that recognizes the IP's right to own and manage their ancestral domains. Of the 42 projects approved from 2003 to December 2004, 28 directly requested for support in the processing of CADT and the formulation of their Ancestral Domain Sustainable Development and Protection Plan (ADSDPP), the document that serves as the development plan for the CADT. In Palawan, all 11 projects are supporting CADTs and ADSDPPs and their implementation.

A roundtable discussion on CADT Processing and ADSDPP Formulation was held in October 2004 to specifically address the bottlenecks in processing the said documents. The Meeting was participated in by more than 60 IP leaders from the whole of Palawan and by key government institutions like the National Council for Indigenous People, the government agency tasked to protect the IPs

and implement the Indigenous Peoples Rights Act (IPRA), the Department of Environment and Natural Resources, the Department of Agrarian Reform, the Palawan Council for Sustainable Development, and both the City and Provincial governments.

The discussion surfaced the painful realities of the IPs in their struggle for their land. They were jailed, harassed, evicted or even killed when they tried to protect their ancestral land and its resources from people who, armed with a government business permit, pillage their resources in the name of profit. Often hailed as stewards of the forests, the IPs often find themselves in jail when they cross paths with big business interests simply because they lack the instrument that will legally prove that the land is theirs.

Recognizing the realities of the struggle for land, SGP PTF Philippines is exhausting all possible means to support its partner IP communities in the processing of their CADT. Strong linkages with both NCIP and DAR are established to try facilitate and expedite the processing of supported projects in Palawan, Quezon and Mindanao. More venues will be created to facilitate exchanges between the IPs and the policy makers. Indeed, PTF attracted significant attention from the indigenous communities for it is the only grant facility that deliberately chose to work with them and the only facility that supports reforestation, livelihood activities, trainings, and the processing of ancestral domain titles. For the IPs, PTF is another candle of hope. It is another stepping stone in their long journey for self-determination.

the issue on EURO/USD exchange rates; develop a strategy to address the effects of the slow start up of the EC UNDP SGP PTF; improve the rate of disbursements; invest in a more comprehensive communications and knowledge management and monitoring and evaluation strategies; and, provide for staff training. These recommendations will receive priority attention in 2005.

EC UNDP SGP PTF in the Philippines

To commit all grant funds by December 2004, the 2nd and last Call for Proposal (CfP) was issued on 15 February 2004 which expanded the EC UNDP SGP PTF's geographic coverage from Palawan to Sierra Madre, Bicol and Samar Islands.

Sectoral priority, however, remained the indigenous peoples of the country. The grant level, which remained at US \$ 20,000 to US \$ 50,000 acknowledges the absorptive capacity of the IP groups.

When the 2nd call ended on June 30, 2004, the pro-gramme was in receipt of 143 proposals. After the National Steering Committee held its last meeting on 16 December 2004, the EC UNDP SGP PTF Philippines had a total of 42 approved projects – 12 from the 1st CfP, and 30 from the 2nd CfP – for a total committed amount of US\$1.9 million.

Using the lessons learned from the 1st CfP, a grant (referred to as the Project Development Facility) was allocated to ERPR (Earth Rights Peoples' Rights), a non-government organisation, which allowed to build capacity of 30 proponents in proposal development, business planning,

and product development and marketing. Other support activities to partners included a Roundtable Discussion on the Processing of Certificate of Ancestral Domain Title (*see box*), held in October, and a workshop on Entrepreneurship in December.

EC UNDP SGP PTF Helping the Indigenous Peoples

"Ang kagubatan para sa mga katutubong Tagbanua ay buhay dahil dito sila nangunguha ng mga pagkain, mga gamut para sa may sakit, at marami pang iba, na produktong gubat na ito ay magagamit sa araw-araw na pangangailangan, kaya sa mga katutubo ang kagubatan ay palengke, tindahan, pagamutan o hospital kaya kailangan pangangalagaan, pagyamanin at higit sa lahat protektahan."

Jeolino Dinggo, A Tagbanua from Maasin, Quezon

"The forest for the Tagbanuas is life because it provides us food, medicine for the sick and a lot of other products that provide for our day to day needs. For the indigenous peoples, the forest is a marketplace, a store, a clinic or a hospital and therefore should be cared for, nurtured, and protected."

The EC UNDP SGP PTF Philippines is designed to support the struggle of Indigenous Peoples' communities for recognition of their ancestral domain.

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"Considering our dwellings in the mountain forest, it is our culture to respect sacred places, where different sects with various beliefs and rituals blend with Filipino religious fervor and ancient animistic belief. This richness, fragility, and sacredness is on a direct collision course with today's exploitative culture, lock step of power grids, illegal logging, development aggression of settlers on our ancestral domain, development initiatives controlled by powerful politicians and other development efforts of the government."

Mang Levi, A Tandulanen from Alimanguan in Palawan

The EC UNDP SGP PTF Philippines will continue to support IP communities in the processing of their CADT. In the Philippines, it is the only grant facility that supports reforestation, livelihood activities, trainings, and the processing of ancestral domain titles in one package.

"By approving this humble project, you have actually bestowed upon us some hopes and further strengthened our resolve to pursue our commitment and initiatives on the ground for the betterment of our indigenous people and the environment."

Isabel Corio, Bangsa Palawan

EC-ASEAN Energy Facility Programme (EAEF)

The EC-ASEAN Energy Facility (EAEF) is a programme of co-operation between the EC and the ASEAN to facilitate partnerships between South East Asian and European organisations in developing specific joint projects in the energy sector. The programme aims to increase the security of energy supply of ASEAN countries and indirectly of Europe and to facilitate the implementation of the ASEAN Plan of Action for Energy Co-operation. The EAEF was launched in March 2002 with a duration of five years until February 2007.

Four different categories of projects are available: market awareness; institutional frameworks; feasibility studies; demonstration projects. Consistent with the ASEAN Plan of Action for Energy Co-operation, the programme focuses on electricity interconnection, gas

pipeline interconnection, clean coal technology, energy efficiency, and renewable energy.

The ASEAN Centre for Energy (ACE), based in Jakarta, facilitates the implementation of the programme. A Project Management Unit (PMU) contracted by the EC manages the overall implementation and serves as the secretariat for a Programme Steering Committee and a Project Selection Committee. The total value of the programme is estimated at 38 million including the individual project partner contributions totalling 16.5 million. The commitment of the EC is fixed at 21.5 million as a grant.

A project must be formulated by a group of at least three partners (two from EU Member States and one ASEAN public or private entity). A group of independent experts forming the Selection Committee assesses each project and gives a recommendation of the projects to be awarded a

grant. The PSC then gives the approval or disapproval for each project that is further endorsed by the EC. The contract for each project is signed between the ACE and the project proponent.

Until December 2004, the EAEF approved a total of 31 projects with an EC co-financing of 6.5 million. Eight of these projects directly benefit/will benefit the Philippines.

COGEN 3

Co-generation is the production of electricity using waste heat from an industrial process.

COGEN 3 is an ASEAN-wide programme that aims to accelerate the implementation of proven, clean and efficient cogeneration technologies within the industrial sectors of the ASEAN region, through partnerships between European and ASEAN companies. EC contribution to COGEN 3 is 25 million.

COGEN 3 provided services related to co-generation grouped into two categories: General Services, and Support to Co-generation Projects. Among the latter, some have been selected to become Full-Scale Demonstration Projects (FSDP), which consisted in implementing

proven technology on a full-scale basis, to demonstrating technical reliability, economic viability, and environmental friendliness. The Manila-based Energy Development and Utilisation Foundation Inc. (EDUFI) is the co-ordinating institution for COGEN 3 Philippines.

During 2004, COGEN experts have been building technical and financial capacity in co-generation technologies of various rice and sugar mill companies. La Suerte Rice Mill (Isabella Province) is one example. The paddy for the mill comes from small and medium farmers from all over the region. After one year of technical studies by COGEN, everything is now ready for the immediate development of a co-generation project in La Suerte. Three

The EAEF Philippines portfolio is focused on the promotion of biomass energy in the Visayas. The bagasse co-generation project, in Talisay City, Negros Occidental, by First Farmers Holdings Corp and Zabaleta Co. (EC contribution of 0.2 million) is probably one of the more significant initiatives under the EAEF. By using bagasse, the Talisay project promotes biomass energy sources other than traditional fossil fuel. Bagasse, the pulp left behind when sugar cane is crushed, is already used by the country's 28 sugar mills to generate steam that powers turbines for electricity. The proposed bagasse-fired

plant in Talisay is expected to be the first of many that will be set up alongside sugar mills, most of which are located in Negros in the Central Philippines. Negros produced about half the country's estimated 2.34 million tonnes of sugar in the 2004 crop year.

Ongoing and Forthcoming EAEF Projects in the Philippines

Project Title	Partner	Main Output	EC Contribution	Project Site
Ongoing projects				
Bagasse Cogeneration Project	FFHG	15 MW	207,403	Negros
Comparative examination of power sector national and regional models in ASEAN	DoE	Feasibility study	199,902	National
Launching and EC-ASEAN network	ADEME	Awareness campaign	189,353	South-East Asia
Projects approved in 2004 - implementation starting in 2005				
Field trailing and assessing the viability of energy crops for use in biomass energy projects	Zabaleta	Feasibility study	193,667	Negros
Institutionalisation of Green IPP Network	EEEE & UP	Awareness campaign	99,890	South-East Asia
Innovative financial scheme for sustainable dev. of renewable energy projects in Rural Areas	Balamiento	Feasibility study	500,000	South-East Asia
Information, Dissemination and Education campaign for biomass renewable energy solutions in Rural Areas	GENESF	Awareness campaign	95,765	Negros/Panay
Rice Husk Plant	Bronzeoak	2 MW	233,737	Antique

other rice mills may follow the La Suerte example in the near future.

In June 2004, COGEN organized the 3rd edition of the Philippine Co-generation Week. The opening session was chaired by the Secretary of the Department of Energy and Department of Energy (DOE), and the conference was attended by more than 200 professionals from the renewable energy sector, including experts from Europe.

COGEN has developed awareness on co-generation as a clean and efficient alternative source of power: co-generation was incorporated in the Philippine Renewable Energy Bill, approved in 2004.

EU-South East Asia Civil Aviation Project

The EU-South East Asia Civil Aviation Project aims to strengthen relationships, to stimulate co-operation and to promote business linkages between the EU and the regional aviation sector in South East Asia. The strategy for reaching the development goals is based on the principle that transport should be affordable and meet stakeholder needs. It should be safe and efficient and have a minimum impact on environment. It is a comprehensive strategy in the sense that it is valid for all transport modes and associated services involved in the movement of people and goods.

The project, amounting to 30 million with an EC contribution of 15 million will increase awareness of EU industry practices in airworthiness and safety regulation, thereby improving standards of aviation safety in the region. The project will run from August 2002 to September 2006.

The project is implemented in the Philippines by the Air Transportation Office (ATO) in close collaboration with the Ministries of Civil Aviation in the other participating Asian Countries. On the European side, the European Association of Aerospace Industries (AECMA) ensures, in co-operation with the Joint Aviation Authorities (JAA) and the EU and Asian Civil Aviation Industry, the full involvement and synergy of the EU and Asian aeronautics sector.

According to Mr. Sheel Shukla, an expert from AECMA, "up to 60% of air accidents in the world are related to human errors in installation and removal during airplanes maintenance". To help ensure safety and airport maintenance, a training on Human Factor in Airport Maintenance was held from 28 to 30 June 2004 in Manila with 35 participants from the Philippines, Cambodia, Thailand and Indonesia. Three more training courses were implemented in the Philippines during 2004. These focused on aerodrome licensing, airport safety and security management and electrical wiring interconnection systems. These were attended by around 150 aeronautical engineers and other technical staff from the Philippines and other South East Asian countries.

EC-ASEAN Programme on Standards, Quality and Conformity Assessment

This regional economic co-operation programme, covering all ASEAN Member States, aims at: enhancing EC-ASEAN commercial exchanges; assisting in the development of an ASEAN regional dimension and strategy for developing technical regulations, setting standards, metrology, accreditation and conformity assessment principles and practices in line with WTO policies and compatible with those of the EU by reinforcing and enhancing the role of ASEAN Consultative Committee for Standardization and Quality or ACCSQ; strengthening national institutions by improving organisational structures and procedures in key organisations, transferring know-how and consolidating relations

between the EU and ASEAN institutions; and, promoting quality and increasing collaboration in standardisation, testing and metrology, conformity assessment and certification between EU and ASEAN private sectors.

The expected results of the programme are:

- Transferring knowledge and understanding of the European practices;
- Establishing national information gathering and dissemination mechanisms in the Technical Barriers to Trade (TBT) field, including reference to the transparency provisions of the TBT Agreement;
- Establishing regional and national information gathering and dissemination mechanisms on the Sanitary and Phyto-Sanitary (SPS) measures related to the WTO agreement;
- Enhancing convergence of technical regulations;
- Developing and/or strengthening ASEAN infrastructures for standardisation, quality, metrology and conformity assessment at regional and national levels;
- Developing and/or strengthening ASEAN infra-structures responsible for market surveillance;
- Establishing sustainable networks in the region between bodies and experts in the areas of the programme;
- Harmonising products through alignment with international standards; and,
- Facilitating trade exchanges between ASEAN countries and with European Union.

The programme is implemented by the European Committee for Standardisation (CEN) and is managed by a project co-ordination unit based in Jakarta, where the ASEAN Secretariat is located. The total budget for the programme is 10.7 million – of which the EC grant is 9 million; implementation started at the beginning of 2004 and will cover 24 months.

The programme focuses on five sectors of strategic importance for trade both within the ASEAN and with the EU: cosmetics, electricity-electronic-Telecom, pharmaceutical products, food, and tourism.

Numerous activities benefited directly the Philippines either through training and capacity building activities undertaken in the country or through the participation of Filipino representatives from the Government and the Industry in regional trainings and workshops held in other ASEAN member States.

Events in the Philippines included notably the following: the launching of the first harmonised ASEAN product directive (Cosmetic sector) as well as support to its transposition and implementation, the launching of a tourism component in Bohol; the formulation of the health sector component, training on good manufacturing practices and on hazard analysis and critical control points. The latter aimed at improving the food products safety and the compliance with sanitary and phyto-sanitary rules and regulation. Furthermore, a training was organised on the EU REACH regulation, concerning the use of chemical products in manufacturing and its implications to the Philippine industry. The programme also provided technical assistance to the Bureau of Product Standards to strengthen its accreditation arm and help facilitate the regional and international recognition of its technical accreditation competencies.

Asia Europe Meeting (ASEM) Trust Fund

The ASEM Trust Fund was established following a decision of the

ASEM Summit held in London from 3 to 4 April 1998. It was part of the two-prong ASEM response to the economic crisis that hit Asia in mid-1997. The second prong was the trade pledge. In the Summit Statement on the Financial & Economic Situation in Asia it was noted inter alia that *“Leaders welcomed the creation of an ASEM Trust Fund at the World Bank to help finance technical assistance and advice both on restructuring the financial sector and on finding effective ways to redress poverty, drawing on European and Asian expertise.”*

Subsequently, an agreement was reached with the World Bank, which accepted to manage the Trust Fund. The first phase of the Fund became operational at the end of June 1998 and received a total contribution from ten ASEM 2 partners of 50 million. The European Commission is the largest contributor (15 million). China is the only Asian country to have made a contribution to the Trust Fund.

Given the success of the first phase and the numerous structural reforms outstanding, particularly in the broader areas of good governance and social safety nets, a second phase was decided. The ASEM Trust Fund 2 was established in March 2001. Contributions have been made by the European Commission, the Netherlands, the U.K., Finland, Denmark, Sweden, France, China and Korea for ASEM TF2 is over \$29 million, of which the European Commission contributed \$20 million, representing almost 70%.

For the Philippines, the ASEM Trust Fund (TF) has played a critical role in supporting government activities to mitigate the adverse effects of the Asian financial crisis. Under ASEM TF1, eight country-specific projects were approved for funding for a total of US \$7.2 million (approximately 5.76 million). All of these were completed as of end-August 2002. In addition, nine regional projects benefiting the Philippines were approved and completed.

Under the second phase, nine further projects were approved for the Philippines worth US \$5.7 million (approximately 4.5 million).

ASIA WIDE PROGRAMMES



Asia-Europe Meeting - the ASEM 5 Summit - in Hanoi, Vietnam 7-9th October 2004. The Summit celebrated the enlargement of ASEM to include 39 partners, including the 10 new members of the EU, and 3 new members on the Asian side: Cambodia, Laos and Burma/Myanmar. The Summit was, thus, a landmark in Asia-Europe relations. Discussions covered political, economic and cultural issues of interest to both sides, and looked forward to a strengthened EU-ASEAN relationship. (Photo Credit: Delegation of European Commission to Vietnam)

Asia Link

The Asia-Link Programme is an EC initiative to promote regional and multilateral networking between higher education institutions in EU Member States and eligible countries in Asia. The programme aims to promote the creation and strengthening of partnerships. Grant support is provided to partnership projects that fall under human resource, curriculum and institutional and systems development.

A third Call for Proposals was launched on 23 December 2003, with deadlines for submission of project proposals set on 15 April and 23 September 2004.

The maximum amount available under this Call was 17.8 million. Two new strands have been opened, Information Support and Studies, and Capacity Building Actions, and partner eligibility has been expanded

Under this third call for proposals, two proposals out of four involving partners from the Philippines were accepted for funding.⁴

⁴ This refers to the overall total of proposals received on 15 April 2004 for the Third Call for Proposals.

ASEM 2 Projects in the Philippines

ASEM 2 Philippines Projects	Project Title	Grant Approval Date	Approved Grant Amount (US\$)
TF050955	Knowledge Enhancement of Key Issues in Corporate Governance	04/15/01	444,000
TF052298	Pension Reform	11/01/02	742,500
TF052349		11/01/02	250,000
TF052163	Sustainable Poverty Reduction and Good Governance	11/01/02	717,600
TF052164		11/01/02	101,400
TF051862	Closing the Productivity Gap	11/01/02	300,000
TF052722	Poverty Monitoring and Analysis	07/09/03	86,000
TF052723		07/09/03	669,250
TF053181	Strengthening Capacity for Bank Supervision	07/09/03	479,650
TF053254	Strengthening the Implementation and Enforcement Capacity of Procurement Institutions for Sustainable Good Governance	12/24/03	716,000
TF054158	Strengthening Reforms in the Urban Shelter Programs for the Poor	06/22/04	500,000
TBD	Strengthening the Institution of the Office of the Ombudsman for Good Governance	06/22/04	716,600
			5,723,000

More detailed information on individual projects can be found on the following website: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/ASEM/0,,pagePK:64018270-theSitePK:277456,00.html>

The first project (activities will start in 2005) is implemented by the Università di Pisa, Italy, together with its partners, the De La Salle University, Manila, the University of Indonesia, Jakarta and the Royal Institute of Technology, Stockholm, Sweden. The project aims to contribute to the improvement of the Health Care Delivery System in the Philippines through the establishment of professional educational competencies capable of training biomedical engineers to manage and maintain clinical and hospital equipment. For that purpose, a core team of faculty from De La Salle University-College of Engineering will spearhead the integration of biomedical and clinical course in the existing engineering curriculum. The project will be implemented over a two-year period, with an EC contribution of 292,552.

The second project (activities will start in 2005) is implemented by the Université de Nice, France, together with its partners, the University of the Philippines-Diliman, the Ateneo de Manila University, the Universiti Kebangsaan Malaysia, the Institute of Mathematics Hanoi, Vietnam, Université de la Rochelle, France, the Dipartimento di Matematica-Università di Pisa, Italy, the Universidad Autónoma de Madrid, Spain, and the Université Pierre et Marie Curie, France. It aims to develop the ability of the Philippines and neighbouring countries to the mathematicians and computer scientists relevant to their economic and cultural needs. For the Philippines, the specific objective is to undergo a full refurbishment of the existing Master of Applied Mathematics of the University of the Philippines, Diliman. The project will be implemented within three years, with an EC contribution of 293,746.

ASEAN-EU University Network (AUNP)

The ASEAN-EU University Network Programme (AUNP) is a higher education co-operation programme jointly financed and implemented by the ASEAN University Network (AUN) and the European Commission (EC). Launched in January 2000 as a six-year programme with a total budget of 7.767 million, the management and co-ordination of the Programme is ensured by the Delegation of the European Commission in Thailand and the AUNP Programme Management Office (PMO).

The AUNP aims at enhancing co-operation between higher education institutions in the two regions (ASEAN and Europe) to promote regional integration within ASEAN countries as well as to strengthen the mutual awareness of European and Asian cultural perspectives. The Programme has two strands:

- The Network Initiative Strand which covers a series of conferences, meetings, technical assistance missions and workshops on higher education issues and network initiatives, and
- The Partnership Projects Grant Support Strand which includes the areas of common applied research, curriculum development and human resources development.

The Partnership strand conducted two calls for proposals — November 2002 and March 2003 — with the selection of 20 projects involving more than 100 higher education institutions, and are currently under implementation. Out of the 20 projects, the Philippine universities (i.e. UP, De La Salle University, Miriam College, Maritime Academy of the Philippines, Philippine Merchant Marine Academy, Leyte State University and Saint Louis University) were involved in seven (7)

projects in partnership with other Asian and European universities. From these seven projects, two are being managed by the Delegation, which are the following:

- 1) Expanding Expertise Network for Generating and Sharing Knowledge related in Spatial Planning and Decision Support (ENSPADS) is a 2-year project that started on 01 January 2004. The project aims to strengthen participating universities by improving their training programmes in the field of urban and regional planning and governance. The project is being implemented by the International Institute for Geo-Information Science and Earth (Netherlands) in partnership with Università degli Studi di Trento (Italy), International Islamic University Malaysia (Malaysia) and University of the Philippines Diliman (Philippines). The total cost of the project is 274 746 04.
- 2) Human Resource Development: Improving the Quality of Maritime Education in Europe and the Asia-Pacific, a 2-year project that aims to contribute to greater standards of safety at sea and higher levels of competence among seafarers aboard merchant ships. The project partners include Cardiff University (UK), Polytechnic University of Catalonia (Spain), Maritime Academy of Asia and the Pacific (Philippines), Philippine Merchant Marine Academy (Philippines) and Singapore Polytechnic (Singapore). Total project budget is 250 672.00 and start date of activities was 06 January 2004.

However, there are no further calls foreseen under AUNP.

Asia Invest

Asia Invest is an economic co-operation programme benefiting 17 Asian developing countries and aiming at strengthening mutual trade and investment ties with the European Union. The programme aims to:

- raise awareness of business potential of Europe in Asia and of Asia in Europe in order to facilitate new business opportunities, through market studies and business encounters and matchmaking events (Asia Venture, Asia Interprise and Asia Partenariat).
- reinforce the Asian private sector and business development, notably by technical assistance provided to companies through intermediary organisations, such as chambers of commerce or industry associations (Asia-Invest technical assistance).
- build institutional capacity, business dialogue and networking between business organisations, through encounters and technical assistance (Asia-Invest Alliance)

Given the success of the first phase (more than 220 projects supported), the European Commission committed a further 35 million for a second phase: Invest II (2003-2007).

The results achieved so far under this second phase are the financing of 94 projects for a total amount of 13.4 million and an increasing number of projects submitted by Asian organisations as lead applicants (53).

In addition to its participation in numerous regional projects, the Philippine private sector benefited directly from the following Asia Invest projects. Out of a total of four applications reviewed in 2004, the first three projects below were approved end of 2004 and are just starting:

- Project from the German Foundation for Economic Development and Vocational Training (SEQUA), entitled: *“Strengthening the Cebu Furniture Industries Foundation, Inc. (CFIF) Through*

Networking With Two German Intermediary Business Associations (IBOs) In The Fields of Product Design And Marketing to the EU”

This is a 34-month project with a total budget of nearly - 200 000 aiming at intensifying know-how and transfer and the exchange of experiences between the participating IBOs leading to a “Cebu Design Centre” (CDC) that offers attractive services and training in product design and export promotion to the EU of local industries, including furniture and furnishing, fashion accessories as well as the gifts, toys and houseware sectors. These sectors represent the three most export-oriented branches of Cebu. Project implementation will start in 2005.

- A project from the Personnel Management Association of the Philippines (PMAP), called *“Building Local Capacity to Manage and Deliver an International Human Resource Quality Standard for the Benefit of Philippine Organisations”*

This 24-month project starting also in 2005, with a total budget of 160,000 seeks to build the capacity of PMAP to promote, manage and deliver the international Human Resources quality standard, Investors in People (IiP). More specifically, the project aims to develop the internal capabilities of PMAP and establish it as an internationally accredited quality centre for the administration and quality assurance of the Investor in People (IiP) standard, and notably :

- establish IiP as a recognised and desired quality



In line with the European Commission's thrust to foster trade and investment with the Philippines, business executives explore partnerships along the International Food Fair "Salon International de l'Alimentaire (SIAL)" held in Paris from 18 to 19 October 2004. The event was supported by the EC's ASIA Invest programme and implemented by InWent, Germany. (Photo Credit: InWent)

standard in the Philippines and raise awareness about its benefits among Philippine organisations,

- identify, select and train advisors and assessor (IIP practitioners), who could assist the interested organisations from implementation to accreditation. .
- establish a positive international partnership between Exemphas, the International Division of Investors in People and PMAP in order to facilitate technology transfer and ultimate self sufficiency of the Philippines to manage the Investor in People assessment process, and to facilitate the development of trading relationships between Philippine companies and those of the European partners.

- Just World Partners, an UK based NGO proposed the project "Investing in a Sustainable Marine Aquarium Trade (ISMAT)"

The ISMAT project aims to provide technical assistance and business skills development to village-based small enterprises engaged in the collection and trade of marine ornamentals, enabling them to use best practices, achieve international Marine Aquarium Council (MAC) Certification, and improve European market access. This 625 000 Euro project seeks to reform the existing marine aquarium trade by building a

Funding Opportunities

The European Commission provided grants to 43 non-profit organizations in the Philippines during 2003, for a total commitment of nearly 29 million Euros (more than 2 billion pesos).

Non-Governmental Organizations (NGOs) most commonly apply for EC grants; however, other types of non -profit organizations can also avail of EC grants: Local Government Units (LGUs), government agencies, professional organizations, business associations, academic institutions are all eligible for most EC grant programmes.

Grants available to Filipino applicants are divided in three groups of programmes:

- 1) The Small Projects Facility is a 2.6 million Euro fund managed by the Manila Delegation, to support short-term, high-impact projects in the area of economic cooperation and governance. Grants will be allocated during 2005.
- 2) The Asia-Wide Programmes are managed in Brussels. They aim at supporting partnerships between Asia and Europe in trade and investment (Asia Invest), urban environments (Asia-Pro-Eco II), and networking among higher education institutions (Asia-Link).
- 3) The Thematic Budget lines are a wide range of grant opportunities given on the basis of worldwide calls for proposals. Several of these programmes are open to Filipino applicants. Grant programmes focus on health, democracy and human rights, environment and forests, gender.

For information on the Asia-Wide programmes and the thematic budget lines, see http://europa.eu.int/comm/europeaid/projects/index_en.htm

EC grant programmes work through calls for proposals, usually

launched on a yearly basis. Calls for proposals are published on the internet, both on the delegation website (www.delphi.cec.eu.int) and on the EC's web-based search engine for calls for proposals (<http://europa.eu.int/comm/europeaid/cgi/frame12.pl>), and sometimes in the local press (as in the case of the SPF). Each call for proposals states the objectives of the programme, and the themes which will receive priority consideration for the call. The call for proposals also states the deadlines for submitting proposals, and the location on the internet where the exact instructions for application, and forms, can be downloaded.

If you wish to apply for an EC grant, it is recommended to first of all familiarize yourself with the programme to which you plan to apply. Programmes have different focuses, depending on issues addressed (Environment and forests in developing countries, poverty-related diseases...), the beneficiary group targeted (aid to uprooted people...), or the targeted applicant (NGO co-financing; Asia-Link). Your activity should be in line with both the general and specific objectives of the funding programme, but also with the specific priority areas stated in the call for proposals. Proposals received outside the context of the call for proposals are not considered. Furthermore, proposals should be submitted using the prescribed EC format, and accompanied by all supporting documents.

For more information on EC funding opportunities, consult our website at: www.delphi.cec.eu.int

trade based on the sustainable and environment friendly international standards developed by the MAC.

Over 24 months, the project, starting beginning of 2005, will develop (i) the capacity of marine aquarium collectors to become MAC Certified, (ii) village-based collectors' co-operatives as well as (iii) identify and develop the European market for MAC Certified marine ornamentals, specifically European Union Member Countries with significant marine aquarium industry activities and hobbyist populations.

- A project from the German organisation InWEnt gGmbH with the Philippine Trade Training Center (PTTC), called "*Business Encounters in the Food Sector EU-Philippines*".

This 233,000 project started end of 2003 and brought together 22 Filipino companies and 40 European companies active in the food sector aiming at developing co-operation agreements between these companies to foster trade and investment between the EU and the Philippines and to promote employment in this sector.

The project consortium, associating German and Italian partners (IHK Ltd. and Consorzio Italiasia) organised the EU-Philippine Business Encounters meeting during the international food fair SIAL held in Paris, from 18-19 October. 22 Philippine companies used the opportunity to meet with 40 European companies in 162 business meetings. More than half of the meetings have been rated positive and have the potential to lead to a business partnership. The Project Consortium will now support the Philippine companies with contacts and advise to ensure that the promising 80 established contacts turn into at least 30 on-going negotiations with at least 12 lasting business arrangements signed. In order to familiarise the Philippine SMEs with European standards and

business regulations InWEnt organised a hands-on training in Germany for the interested companies before the matchmaking event.

Asia Pro Eco

Asia Pro Eco II builds on Asia Pro Eco I and Asia Urbs programmes. The objective is to support institutional and operational partnerships and networks to tackle major urban environment issues through sharing of innovative technologies, best practises, policies, measures, and capacity-building. There were no ongoing projects funded from Asia Pro Eco in 2004. Project proposals resulting from a call for proposals launched in 2004 were evaluated and a number of projects were recommended for funding in 2005.



ECHO Providing Relief and Primary Rehabilitation Assistance

ECHO is the European Commission's Humanitarian Aid office. It is one of the biggest donors of humanitarian aid in the world. In 2004 it provided 570 million in funding to projects benefiting millions of victims of man-made or natural disasters in more than 60 countries outside the EU. Aid is channelled impartially to the affected populations, regardless of their race, ethnic group, religion, gender, age, nationality or political affiliation. It also funds disaster preparedness and mitigation projects in regions prone to natural catastrophes.

With its new and expanded regional office in Bangkok, ECHO continued in 2004 to strengthen its presence to better assess the humanitarian situation in Southeast and East Asia and to respond more effectively to crises in the region.

Since its creation in 1992, ECHO has provided about 14 million in assistance, of which about 8 million (Php 600 million) supported victims of natural disasters in the Philippines in situations where local coping capacities were overstretched.

From 2000-2004, ECHO's assistance focused on emergency relief in response to the armed conflict in Southern Philippines. ECHO assistance has evolved into interventions of small-scale rehabilitation which prepares the ground for medium to long term development aid, thus, linking relief with rehabilitation and development.

Helping Victims of Conflicts

Since 2000, ECHO has provided almost 6 million (Php 450 million) to fund emergency assistance to thousands of people displaced by the armed conflict in the Southern Philippines.

Many of the displaced had sought refuge in evacuation centres throughout Mindanao. As hostilities receded following ceasefire agreements in 2003 and 2004, they were encouraged to return home. ECHO's funds ensured that the displaced received accurate information about their options to return home or settle elsewhere. The funds were also used to create awareness among local officials of the rights of displaced people and returnees according to the UN Guiding Principles.

While continuing to assist those who remained in evacuation centres, ECHO's funds also helped returnees to resettle by rehabilitating destroyed or contaminated wells to ensure they have safe drinking water, by rebuilding sanitation systems and by supporting basic health services and hygiene education. ECHO also provided basic agricultural tools and seeds as well as fishing equipment to allow people to generate income and regain independence. Projects were implemented by European NGOs like OXFAM, Movimondo and *Accion contra el Hambre* even at the risk of their own lives and security. The latter also benefited from ECHO support for the research and publication of a study on the needs of conflict affected populations in the Liguasan Marsh area of central Mindanao, one of the areas most devastated by the conflict. The study provided a database to be used by ECHO and other international organisations to define pertinent programming strategies that meet effectively the needs of the populations in that area.

Profile of ECHO Projects in 2004 (Mindanao)

Title of Project and Implementing NGO	EC Contribution million	Duration	Details
Ensuring humanitarian protection and direct humanitarian support in 3 municipalities in Central Mindanao. Oxfam GB	260,000	Nov 01 - 2004 until 31 Oct 2005	<u>Location:</u> Pikit, Pagalungan and GSKP <u>Main Objective:</u> To ensure IDPs affected by conflict in 17 barangays of CMR are able to make free and informed decisions regarding their movements and have access to public health provision, through direct assistance and working with local government.
Support to the returnees' population affected by the 2003 conflict in Liguasan Marsh. <i>Accion Contra el Hambre</i>	250,000	01 Oct 2004 until 31 Sept 2005	<u>Location:</u> Maguindanao and North Cotabato <u>Main Objective:</u> To target approx 10,970 individuals, approx. 8,470 on water, sanitation and food security activities and 2,500 on hygiene and nutrition promotion activities.
Community-based actions to link relief and rehabilitation by strengthening local governance in conflict affected areas. Movimondo	200,000	01 Nov 2004 until 31 Oct 2005	<u>Location:</u> Maguindanao and Cotabato <u>Main Objective:</u> To sustain returnees' reintegration in 6 municipalities and empower their communities and development institutions in addressing constraints in safe water supply, livelihoods, sustainable natural resource management.
Study for a strategy development on children adversely affected by the conflict in the Philippines. UNICEF	140,000	01 Dec 2004 - 01 Nov 2005	<u>Location:</u> Central Mindanao <u>Main Objective:</u> To facilitate the demobilization of children involved in the armed conflict in Mindanao.



ECHO assists displaced people in rebuilding homes in many areas in Mindanao.

ECHO also supports UNICEF in gathering information on the numbers, needs and the situation of child-soldiers involved in the conflict.

Liguasan Marsh Vulnerability Survey

The results of the survey conclude that three main factors contribute to significant vulnerability in the area. First and foremost is the long term effect of the presence of armed conflict. This affects adversely the economic, educational, and social development of the communities in the area. Secondly, the water and sanitation facilities are sub-par with many families suffering from lack of access to good quality of water. Thirdly, the marginal access to health and the low level of health awareness by the communities affect the quality of life. It is the long-term impact of the effects of conflict which are less easily quantified and harder to offset. The repeated displacements and repeated loss from armed conflict suppress economic, educational, and the general initiative to advance as families find it increasingly hard to replace or regain what was lost. The presence and potential threat of repeated conflict will continue to inhibit growth.

Profile of ECHO Projects in 2004 (Luzon)

Title of Project and Implementing NGO	EC Contribution million	Duration	Details
Emergency public health response for typhoon affected populations in Infanta and General Nakar Municipalities, Quezon Province Oxfam, GB	190,000	4 Dec 04 6 months	To provide families with increased access and make optimal use of water and sanitation facilities and take action to protect themselves against threats to public health in Quezon Province: General Nakar & Infanta
<i>Support en telecommunication satellitaires pour des operations d'urgence humanitaire</i> <i>Telecoms Sans Frontiers</i>	30,174	2 Dec 04 1.5 months	To respond to the telecommunication needs of the Quezon province: Real, Infanta and General Nakar.
Emergency Assistance to the Victims of the Typhoons in the Philippines Cruz Roja Espanola, Es	390,000	13 Dec 04 6 months	To provide relief assistance such as: basic materials and tools for reconstruction/ rehabilitation of their houses, mosquito nets and rubber boots to prevent spread of water borne diseases, non-food items, relief kits and medicines of Quezon Province: Infanta & Gen. Nakar
Support for Emergency Food Supplies and Farm Inputs in the Aurora District <i>Deutsche Welthungerhilfe, GAA</i>	189,208	2 Dec 04 3 months	To supply affected families with food for immediate survival and provide farm inputs to replant destroyed rice fields in Aurora Province: Baler District



ECHO through its partner NGOs like Oxfam, provides basic water facilities to families hit by a series of typhoons in Quezon province in 2004. (Photo Credit: Oxfam)

Helping Typhoon Victims

The Philippines's disaster coping capacity was severely tested in late November to early December 2004 when the eastern provinces were hit by a series of typhoons and intense rains. The damage was overwhelming: over 1 million people were affected, more than 100,000 houses damaged or destroyed, public infrastructure disrupted and crops lost. The government declared a state of emergency and requested international help to meet the most urgent humanitarian needs and to support the reconstruction process.

Through ECHO, the European Commission provided - 800,000 (Php 60 million) to help 200,000 of the most vulnerable people, including

women, children and the elderly. ECHO supported the provision of food, drinking water and shelter. Through a specialised NGO, funds were also used to provide essential telecommunications for victims, authorities and international aid agencies. In addition, ECHO funded small-scale rehabilitation activities to help displaced families to return their homes: repairs of wells and toilets, foot bridges to facilitate access to isolated villages and the distribution of seeds and farming tools to enable people to restart their lives.

DIPECHO – ECHO's Disaster Preparedness Programme

ECHO also supports activities that aim to reduce the impact of disasters, through pre-emptive preparation and mitigation activities. Since 1998, ECHO's disaster preparedness programme DIPECHO has financed four projects in the Philippines.

Most recently in 2003 and 2004, DIPECHO has supported the Philippine National Red Cross through the Spanish Red Cross to carry out projects in Quirino, Quezon, Antique and Camarines Sur. The project enables 96 of the most vulnerable barangays to identify their disaster preparedness needs and support the development and implementation of barangay and community level disaster management plans. This includes determining mitigation measures that will reduce the vulnerability of communities and the impact of disasters. Such mitigation activities are: construction of sea-walls, small-scale dyke systems and other flood management structures. In total an estimated 4 million inhabitants will have benefited from these activities.



Cultural Co-operation, Press and Information

The enlargement of the European Union was the highlight of the events organized by the Delegation in the year 2004.

Enlargement of the European Union

To mark the celebration, a series of information campaigns was launched by the Delegation with radio station *Joey@92.3* as a partner. Information capsules titled “EU at a Glance” and a radio quiz “IQ on EU Radio Trivia” were produced by the station at no cost to the Delegation.

An information display “European Unity: Icons of Diversity” in The Podium, a mall in Metro Manila, kicked off the launch. This information display toured various schools including the British, French, German Schools, De La Salle University, University of the Philippines, Ateneo de Manila University, International School, Polytechnic University of the Philippines in Metro Manila and St. Louis University in Baguio City. Lectures generated awareness about the enlargement of the European Union and its implications to the RP-EU relations.

An essay contest was also held for college students from the period May to September 2004 with the theme “Enlargement of the European Union and Its Implications to RP-EU Relations”.

To reinforce the message that EU is enlarging, a Parade of Nations was held in September 2004 in Makati City, the commercial district of the Philippines. The Head of Delegation led some 200 representatives from the EU Member States’ Embassies, government and academia. A programme capped the celebration with a hand art imprint exercise to show the Philippines that “everyone holds a stake in the enlargement of the European Union”.

A Europe Day reception was held and generated enthusiastic response from the Delegation’s stakeholders and partners. Winners of the essay contest were given their prizes by the Head of Delegation and other



EU enlargement was highlighted by a Parade of nations held in September 2004 in Makati City, the commercial district of the Philippines. The Head of Delegation led some 200 representatives from the EU Member States’ Embassies, government and academia.

EU-MS’ embassies’ officials.

Christmas holidays saw the “Amazing EU Christmas” celebrations being spearheaded by the Delegation in cooperation with the EU MS’ embassies. This resulted in increased awareness about Europe’s shared cultural heritage with the Philippines and showcased that some traditions practiced in the Philippines have European origins. This also provided maximum visibility for the Delegation and for the EU MS as gleaned from the enormous positive reviews generated from the event.

Cine Europa

With its theme “The Bigger Picture” in line with the enlargement of the European Union, Cine Europa attracted 44,567 moviegoers in Manila, Cebu, and Baguio City. Cine Europa has always been very popular among moviegoers in the country. Because of this positive response, the festival expanded in Baguio City, and hopefully, next year, to other cities in the Philippines.



The Head of the Delegation, Ambassador Jan de Kok, Foreign Affairs Secretary Alberto Romulo and the Dean of the Diplomatic Corps, Msgr. Antonio Franco offer a toast to mark the friendship between the Philippines and the European Union during the celebration of the Europe Day 2004.

Cultural Co-operation, Press and Information

EUVP Alumni Network

The Delegation also organized a network of European Union Visitors Programme alumni using the database from the Delegation and from headquarters. This paved the way for the creation of information conduits from the EUVP alumni using their visit to Europe as a hook-up activity. This also ensures that connections with EUVP participants do not simply stop once the participant returns to the Philippines.

Media Relations

The Delegation held various press conferences and briefings throughout the year to inform the media about ongoing programmes, projects and initiatives. The events organized by the Delegation also generated media interest. Partnerships were strengthened with organizations like the Foreign Correspondents Association of the Philippines, the various government press corps and branches of the Philippine Information Agency. Journalists were also invited to visit a number of project sites.

The Delegation also continued the initiative of organizing EU MS' ambassadors' visits to project sites of bilateral projects being implemented in the country.

Website

The website has been a dynamic source of information among stakeholders and partners of the Delegation and since last year, on average, it has been visited about 2,000 times a week. The Small Projects Facility website has generated the most number of visits. Press releases and other collaterals including the Annual Report and the EU News have been downloaded frequently by visitors. The website registered close to 70,000 visitors by end of 2004.



Ms. Salome Rebosura, DTI, Ambassador Jan de Kok, Ms. Rescina Bhagwani, FDIC, Ms. Rebecca Nadine Dichoso, House of Representatives, Mr. Luc Vandebon, Ms. Wilhelmina Mahalac and Architect Luis Ferrer, BSP recount experience during their EUVP participation.

Other Information and Promotional Activities.

The Delegation continued to produce several collaterals including the EU News, enlargement brochures and brochures about bilateral EC/EU Philippine ties. The Delegation also sustained its provision of brochures, flyers, audio-visual materials and referred requests to Europa server via the Delegation's website.



The Philippines continues to enjoy favourable economic relations with the EU – a trade surplus as the EU continued to be one of the largest export market of the country, absorbing over 16% of the country's total exports; EU direct equity investments accounting for more than one-fourth of the total investments over the past decade; and EU banks accounting for 48% of total outstanding bank credit to the country.

However, Philippine exports to the EU have shown a declining trend over the past years. There are also certain market access issues, either new or old concerns that would have to be addressed so as not to disrupt trade. On the positive side, there exist bilateral and regional instruments to help the Philippines improve its capacity not only to meet its international commitments but also to further intensify its economic relations with the EU.

At the WTO, the EC took certain initiatives including a letter in May outlining three areas (agriculture, Singapore issues, development issues) where the EU is ready to make further movement to contribute to the DDA negotiations; considerable commitments for trade related assistance; and launching of an online resource to facilitate access by developing countries to the EU.

Non-Tariff Measures

Other Charges on Imports

Excise tax on Spirits: EU Trade Commissioner Pascal Lamy raised this issue again with Trade Secretary Purisima at the sidelines of ASEAN-EU Consultations in September. Draft legislation proposing a shift to a common regime for all distilled spirits independent of the raw material used was introduced by the government under the 13th Congress. However, subsequent debates and proposals in Congress led to a departure from this formula. The EC officially expressed its concern on these developments to both the Executive and Legislative branches. Nevertheless, in December the Philippines adopted Republic Act No. 9334, bearing the title "An Act increasing the excise tax rates imposed on alcohol and tobacco products", which exacerbates the differential treatment between distilled spirits using local raw materials and those that do not, by imposing a 30% tax increase on the former and a 50% tax increase on the latter.

Quantitative Restrictions

Textiles and Clothing: In March the EU adopted a regulation increasing the garments and textiles quotas to take into account the imports by the 10 new EU Member States. The increase took effect from 1 May 2004 to the end of 2004.

In December the EU adopted a Regulation that will eliminate from 1 January 2005 all quantitative restrictions on the import of textile and clothing products in line with the expiration of the WTO Agreement on Textile and Clothing (ATC) on 31 December 2004. It will also establish a transitional regime concerning the import in the first quarter of 2005 of products subject to the import quota regime in 2004. The Regulation also

sets up a statistical monitoring system for the imports to the EU of a number of textile and clothing products. This will give early intelligence on signs of serious market disruption and will allow the EU to follow closely the development of trade in the new environment.

The EU will be abolishing 210 quotas for the import of textiles and clothing products from 11 WTO-member countries or territories (Argentina, China, Hong Kong, India, Indonesia, Malaysia, Peru, Philippines, Taiwan, South Korea and Thailand), which have been in force under bilateral agreements concluded under the former GATT Multi-Fibre Agreement in the 70s. In 2003, EU-25 imports worldwide of products for which quotas will be eliminated accounted for 41.7 billion or 63% of total textile and clothing imports, although only 20% of EU imports were imported under quotas.

Import Controls

EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT): As part of the EU Action Plan for FLEGT announced in 2003, the EC proposed in July a comprehensive set of measures to combat the growing problem of illegal logging and the related trade in illegally harvested timber. The main elements of the package are: (i) voluntary partnerships with wood-producing countries badly affected by illegal logging to support and promote governance reform in their timber sectors; (ii) a regulation that sets up a voluntary but legally binding licensing scheme with partner countries to ensure that only legal timber from these countries is allowed into the EU. The package is based on an innovative approach that links the push for good governance in developing countries with the legal instruments and leverage offered by the EU's internal market.

In December, the EC also committed 20 million to support the EU Action Plan for FLEGT. The Commission will support international and non-governmental organisations and the private sector, through a range of innovative pilot activities, to promote governance reform in countries affected by illegal logging and to facilitate trade in legally harvested timber. In particular the EC will support:

Market Access

- Intergovernmental dialogue aimed at building commitment for reforms to combat illegal logging and its underlying causes.
- Models of good practice for forest governance
- Independent monitoring / auditing of forest harvesting operations
- Strengthening local civil society in support of improved forest sector governance.
- Facilitating trade in legally-harvested timber, and encouraging corporate social responsibility in the EU timber importing industry.

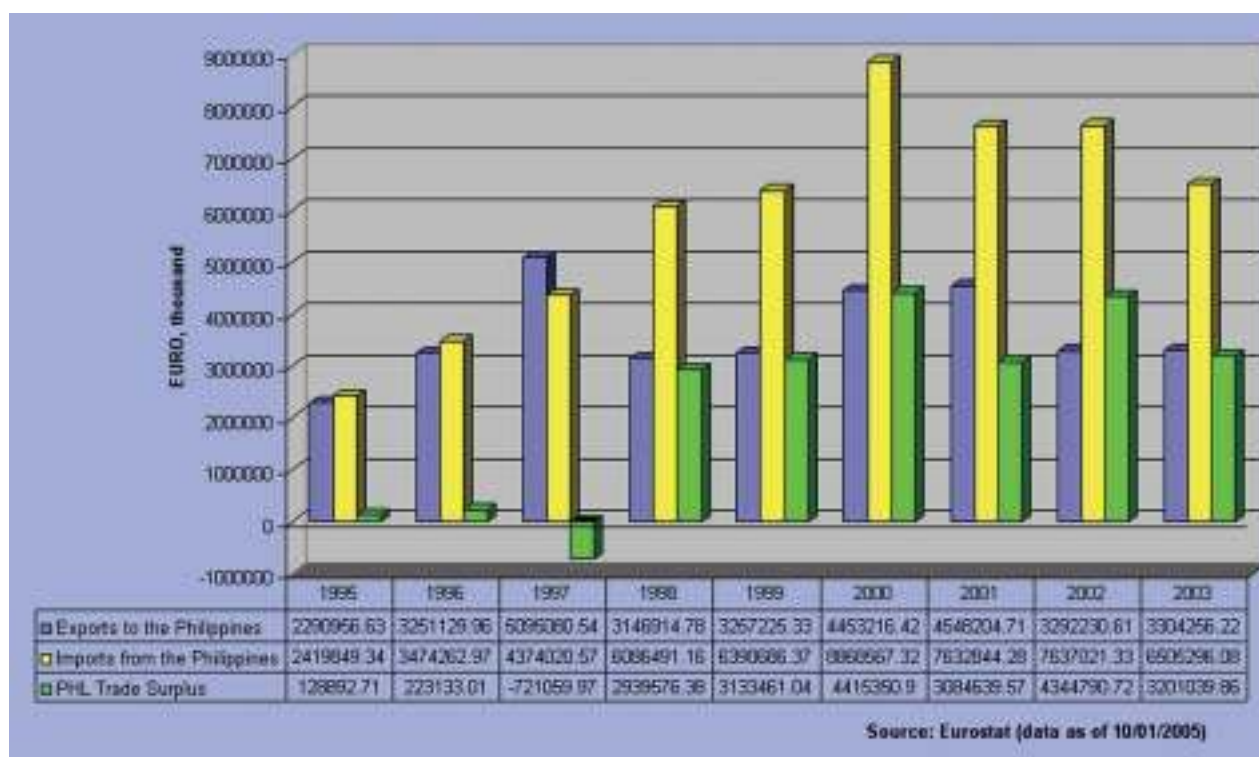
Other areas where the EC proposes action include co-operation with other major consumer markets, such as the US and Japan, to stop the trade in illegally-harvested timber; and efforts to ensure only legally-harvested timber is sourced through public procurement contracts in the EU.

Illegal logging is linked intimately with corruption and bad governance, and robs governments in affected developing countries of an estimated 10 to 15 billion every year in lost revenue. It also impoverishes rural communities in developing countries who depend on forest products for a living. At the World Summit on Sustainable Development in Johannesburg, the EU pledged to work in partnership with wood-producing countries to eradicate illegal logging and the trade in illegal timber.

Trade Relations

The EU was the fourth largest export market of the Philippines, absorbing about 16.2% of total Philippine exports in the first 10 months of 2004 (versus 17.6% in 1995). Japan has taken the lead with a 19.8% share (from 15.7% in 1995), followed by the US with 18.4% (from 35.3% in 1995), and the ASEAN region with 17.3% (from 13.6% in 1995). It is notable that the combined share of mainland China and Hongkong is now at 14.4% (from 5.9% in 1995) putting them in fifth place.

Figure 2: EU Trade with the Philippines



(See Figure 1)

Japan and China gained ground as Philippine exports to these economies grew at double-digit rates in 2004. In contrast, the EU, US, and South Korea have lost ground as Philippine exports to these economies contracted. Philippine exports to ASEAN were stable.

For the EU in particular, exports from the Philippines continuously increased by an annual average of 30% between 1995-2000, reaching a peak of 8.9 billion and making the EU instrumental in diffusing the impact of the Asian crisis on the Philippine economy. However, it has declined since then to 6.5 billion in 2003. In 2004 (January-October), partial estimates indicate another 10% decrease. (See Figure 2)

Figure 1: Major Markets for Philippine Exports



However, a more detailed analysis shows that the performance of Philippine exports to the EU in 2004 was mixed. Many of the Philippines' principal exports to the EU continued to decline during 2004 including computer components & parts, electronics, optical & medical instruments, seafood products, vegetable extracts, paper products, tobacco leaves and waste food. Some suffered reversals, including jewellery, fruits & nuts, and basketwork. Nevertheless, some products, such as automobile parts, toy products, textiles, and wood products, continued to enjoy respectable growth. Others recovered including clothing, aircraft parts, furniture, and vegetable & fruit products. Exports of footwear remained relatively stable. (See Table 1)

On the other hand, the EU remained the fifth largest import supplier to the Philippines, providing 8.2% of total Philippine imports in the first 9 months of 2004 (versus 10.8% in 1995). Since 2002 it has fallen behind mainland China and Hongkong, which has gained fourth place with a combined share of 10.3% (from 7% in 1995). ASEAN, with a share of 19.2% (from 11.9% in 1995), appears to have overtaken Japan, with a share of 18.4% (from 22.6% in

Figure 3: Major Source of Philippine Imports

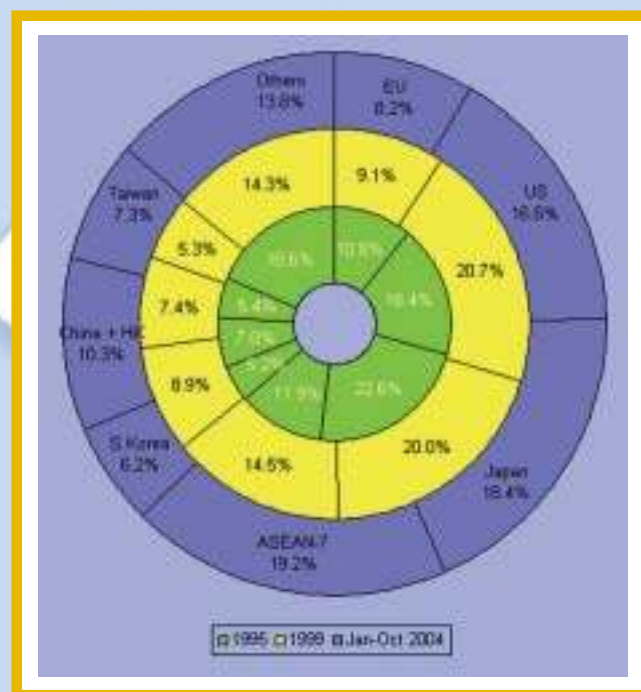


Table 1: Top EU Imports from the Philippines

Products	In Thousand		% Growth
	Jan-Oct 2003	Jan-Oct 2004	
Fruits, grains & vegetable products	65,338	56,621	-13.3%
of which: 08 Fruits & nuts	22,444	18,732	-16.5%
13 Lacs, gums, resins; veg. extracts	30,123	26,234	-12.9%
Animal or Vegetable fats & oils	174,726	169,764	-2.8%
Prep. foodstuffs, beverages & tobacco	112,258	99,560	-11.3%
of which: 16 Meat & seafood products	59,300	39,935	-32.7%
20 Vegetable, fruit products	28,240	40,348	42.9%
23 Waste food & animal feed	7,038	3,836	-45.5%
24 Tobacco	7,362	6,775	-8.0%
Wood & wood products	29,183	27,148	-7.0%
of which: 44 Wood products	15,138	15,787	4.3%
46 Basketwork	14,043	11,346	-19.2%
Paper & paper products	28,802	28,030	-2.7%
Textiles	22,697	29,276	29.0%
Clothing	247,313	288,749	16.8%
Footwear, headgear, umbrellas	57,286	57,256	-0.1%
Jewelry	271,005	53,572	-80.2%
Machinery, electronics, electrical eqpt., appliances	3,874,850	3,438,624	-11.3%
of which: 84 Computer components and parts	1,223,036	1,056,567	-13.6%
85 Electronics, electrical eqpt.	2,651,814	2,382,057	-10.2%
Transport equipment	82,831	176,128	112.6%
of which: 87 Automobiles & parts	59,001	61,099	3.6%
88 Aircraft and parts	22,261	114,867	416.0%
Optical eqpt., clocks, medical instruments	215,881	209,922	-2.8%
of which: 90 Optical, medical instruments	203,312	201,260	-1.0%
Miscellaneous manufactures	102,555	121,395	84.4%
of which: 94 Furniture, beds, lighting	58,913	65,093	10.5%
95 Toys, games, sports products	34,526	47,172	36.6%
Others	189,017	148,909	12.7%
TOTAL EU IMPORTS	5,473,743	4,904,953	-10.4%

Market Access

1995), as the largest import supplier, while the US is now in third place with a share of 16.6% (from 18.4% in 1995). (See Figure 3)

China (plus Hongkong) and ASEAN, have gained ground as Philippine imports from these economies grew at double-digit rates again in 2004.

In contrast, EU exports to the Philippines were hit hard by the Asian economic crisis, plunging by 38% in 1998, recovering 90% of its peak value by 2001, before suffering another 28% decrease in 2002. In 2004 (January-October), partial estimates indicate a slight 4% growth in Philippine imports from the EU.

A number of the EU's principal exports to the Philippines suffered setbacks in 2004, including power generating machinery, mechanical appliances & computers, metal & metal products, paper & paper products, wines and spirits, and ceramics. Some continued to perform poorly including pharmaceuticals, organic chemicals, perfumery & cosmetics, paints, furniture & fixtures, and clothing. In contrast, aircrafts & parts, dairy products, and meat products continued to do well. Others are recovering lost ground, including electronics, telecoms & electrical equipment, plastic & rubber products, textiles, optical & medical instruments, automobiles & parts, cereal products, and tobacco. EU

exports of grains remained relatively stable. (See Table 2)

Since the Asian economic crisis, the EU-Philippines trade balance has been in favour of the Philippines. Partial figures for 2004 (January-October) indicate a continuation of this trend, although the EU deficit has fallen to some - 2 billion, down by some 700 million from the previous year.

Standards and Other Technical Requirements

Memorandum Order (MO) No. 19: The temporary ban on beef from the Netherlands was lifted by the Department of Agriculture (DA) following an inspection mission in May 2004. The ban is still in effect for the EU Member States covered under DA MO No. 19 dated 14 November 2000, namely: UK, Ireland, Belgium, Denmark, France, Luxembourg, Portugal, Italy, Spain and Germany due to the outbreak of *Bovine Spongiform Encephalopathy* (BSE) or mad cow disease.

The continued implementation of MO 19 to date is considered to be discriminatory especially when viewed vis-à-vis other countries also affected by BSE. The comprehensive set of protection measures enforced in the EU against BSE guarantees that all beef produced in the EU meet very high health standards. The EU also has a system of

Table 2: Major EU Exports to the Philippines

Products	In Thousand		% Growth
	Jan-Oct 2003	Jan-Oct 2004	
Live Animals & Animal Products	41,859	63,842	-52.5%
of which: 02 Meat and its products	10,208	17,924	75.6%
04 Dairy products	28,786	38,045	32.2%
Fruits, grains & vegetable products	26,381	26,330	-0.2%
Prep. foodstuffs, beverages & tobacco	141,348	116,889	-17.3%
of which: 19 Cereal preparations	20,613	21,755	5.5%
22 Beverages, spirits	45,837	36,926	-19.4%
24 Tobacco	1,696	3,793	123.7%
Chemicals	368,051	353,462	-4.0%
of which: 29 Organic chemicals	58,073	54,147	-6.8%
30 Pharmaceuticals	162,243	152,189	-6.2%
32 Tans, dyes & paints	25,003	20,353	-18.6%
33 Perfumes, cosmetics	38,698	37,110	-4.1%
Plastics & Rubber Products	72,391	74,210	2.5%
Paper & paper products	111,803	97,451	-12.8%
Textiles	58,830	63,809	8.5%
Clothing	9,884	8,681	-12.2%
Mineral Products	27,312	22,324	-18.3%
of which: 69 Ceramic products	14,433	12,755	-11.6%
Base metals & base metal products	130,078	105,666	-18.8%
of which: 72 Iron & steel	9,443	9,827	4.1%
73 Iron & steel products	88,566	59,908	-32.4%
Machinery, electronics, electrical eqpt., appliances	1,390,412	1,473,282	6.0%
of which: 84 Power gen. mach., mech.appl., computers	515,066	461,949	-10.3%
85 Electronics, telecoms eqpt., electrical eqpt.	875,3435	1,011,333	15.5%
Transport equipment	162,615	250,703	54.2%
of which: 87 Automobiles & parts	39,907	41,107	3.0%
88 Aircraft & parts	110,600	189,416	71.3%
Optical eqpt., clocks, musical instruments	85,963	102,823	19.6%
of which: 90 Optical, medical instruments	66,038	88,902	34.6%
Miscellaneous manufacturers	25,492	25,367	-0.5%
of which: 94 Furniture, beds, lighting	14,240	14,013	-1.6%
Others	108,291	94,545	-12.7%
TOTAL EU EXPORTS	2,760,709	2,879,385	4.3%

monitoring to ensure the correct implementation of the protective BSE measures with on-the-spot visits to all Member States. These measures apply equally to beef placed on the EU market and beef exported to Third Countries; and are more restrictive than what are enforced in certain Third Countries which temporary bans were lifted by the DA.

Since the enforcement of the ban, concerned EU Member States as well as the EC Delegation have informed relevant DA officials of developments concerning the disease in the EU and the specific measures including relevant regulations undertaken to control/eradicate said disease. Informal consultations were also initiated to keep the DA agencies abreast of developments, including consultations between relevant DA representatives and the EU Commercial/Agricultural Counsellors and other European officials visiting Manila. Official communications to the DA include comprehensive information on EU-wide measures enforced to protect animal and public health against the risks of BSE; additional voluntary measures to control/eradicate BSE implemented by specific EU Member States as well as EU Member State reports indicating the situations on a per country basis. The DG TRADE in Brussels also continued its representations with the Government representatives both at the informal and official levels on this issue.

Despite these efforts, the DA indicated its preference to have a country by country assessment in its review of the ban.

New Meat Import Rules: The Department of Agriculture (DA) initiated the drafting of the new rules to replace the existing Administrative Order (AO) No. 39 which penalty provisions were found to be inadequate. The DA held public consultations but only with the local stakeholders.

Based on a review of the version circulated publicly by the DA, the EC raised concerns starting with the manner of information dissemination. Concerns were also conveyed on the more restrictive measures proposed under the new rules which may disrupt trade. The Delegation requested the EU Member States for their comments and collaborated with DG TRADE on the position paper submitted officially to the DA.

The draft rules were also opposed by certain local stakeholders and the international community as a whole, and were eventually shelved by the DA.

Meat Inspection Code of the Philippines (MICP): MICP seeks to strengthen the existing meat inspection system of the National Meat Inspection Commission (NMIC) and harmonise Philippine regulations with international standards and procedures.

The main contention on this initiative is Article 54, a new provision which reportedly was not discussed in the public hearings. The industry associations claim that this was inserted in the final version without prior consultation. Article 54 indicates that it is unlawful for any shipping line or airline to accept shipments of meat and meat products for export to the Philippines without first securing a Veterinary Quarantine Clearance from the DA and the International Veterinary Certificate issued by the exporting country. Industry sources find this new provision unacceptable.

The new Meat Inspection Code was signed into law by the President (known also as Republic Act 9296). The DA is still working on the implementing rules and regulations (IRR). In particular, they are looking at how to resolve the controversial provision so that this is acceptable to all concerned and still complies with the law itself. After the drafting of the IRR, The DA is set to hold public consultations so the final

IRR may be published before mid-2005.

FVO Inspection Mission on Fishery and Aquaculture Products: The Food and Veterinary Office (FVO) sent an Inspection Mission to the Philippines on 11-22 October 2004. As background, an Inspection Mission was carried out in 2001 for the purpose of assessing the conditions of production of processed *bivalve molluscs*. Although the scope of the 2001 Mission did not encompass fishery products as such, the inspection team recorded significant deficiencies during their visit to the fishery product establishments and recommended that an inspection on fishery products be considered.

The aims of the inspection were:

- To re-assess the compliance with the special conditions governing imports of fishery products originating in the Philippines
- To assess production conditions in aquaculture products intended for export to the EU.

The inspection held an initial meeting with the concerned officials of the Bureau of Fisheries and Aquatic Resources (BFAR) to confirm the objectives of the mission, finalise details of the itinerary, request additional information required for its satisfactory completion, and clarify any questions that BFAR may have on the nature of the inspection. The BFAR accompanied the two teams in the course of their inspection, which included the following: BFAR central office, central/reference laboratories, visits to Regions IV, VI and VII, three aquaculture farms, 13 food processing establishments, etc. A closing meeting was also held with concerned representatives from the competent authority wherein the mission informed them of the serious deficiencies observed in the course of their mission. The BFAR officials/representatives agreed

with the findings and conclusions, confirming their intention to take immediate action to remedy the deficiencies identified, and requested for EC technical assistance. The Delegation and Commission services in Brussels co-ordinated on possible TA initiatives to help strengthen BFAR's capacity to comply with EU requirements.

Residue Training Course in Nantes, France: An extensive training course on residue monitoring was held at the Ecole National de Vétérinaire in Nantes, France from 22 November to 3 December 2004. This was organised by DG TRADE for developing country experts as technical assistance to improve their knowledge of certain SPS measures applied in the EU. DG TRADE financed the participation of the developing country experts, including Mrs. Simeona Regidor, Chief of the Fish Health Section of the Bureau of Fisheries and Aquatic Resources (BFAR). Mrs. Regidor deals with the preparation and implementation of a residue monitoring report and plan for the Philippines' aquaculture exports in compliance with EC Directives.

The programme covered all aspects of residues and contaminants analysis in food, legislation and quality assurance. The training was based on both theoretical sessions and demonstrations or practical applications.

The aim of the training course is to provide technical training to experts in the field of residue analysis to improve their knowledge of the EC legislation in this area and the performance of analytical methods in the laboratory. In particular, this was designed to serve as a tool for developing country experts to:

- Improve their knowledge regarding general EU legislation on residues and contaminants in food of animal origin.
- Understand the differences between banned substances, non-authorised substances, illegal use of authorised substances and substances for which MRL have not been established, in the EU system.
- Improve their knowledge in analytical chemistry, especially in methodology applied for residue and contaminant control in food of animal origin.
- Be trained in techniques involving gas and liquid chromatography coupled with sophisticated detectors, such as mass spectrometers.
- Learn and put into practice examples of performance methods applied in European laboratories for the control of residue and contaminants in food of animal origin.
- Improve their knowledge in quality assurance applied to assays and method development.
- Create their own network for further technical and scientific cooperation.

SAFETY FIRST: How EU food safety rules can help ASEAN's exporters: This seminar is a pilot initiative under the Trans-Regional EU-ASEAN Trade Initiative (TREATI), which was developed by the European Commission in partnership with ASEAN, to disseminate and explain the EU safety regulations and import controls, as they apply to food exports from ASEAN. The two-day seminar was held on 27 to 28 May 2004 in Bangkok, Thailand.

The seminar targeted a wide audience to maximise direct interaction and discussions between speakers and delegates. This covered both ASEAN and EU speakers from the public and private sectors and in-depth sessions on the latest developments in EU food controls and regulations for key sectors such as aquaculture, fruit and processed foods.

While there was interest from various concerned organisations in the Philippines, there were only a total of 8 participants from the Philippines because majority were busy with the International Food Exhibition ongoing in Manila during the same period as the seminar and those who participated in the ongoing World of Food Fair in Bangkok at that time were unable to leave the exhibit area.

Overall, the Philippine participants found the seminar to be very relevant and were very satisfied with the quality of the speakers. Both the public and private participants found this to be a good learning process and a good eye opener. The participants considered this as something that should have been done long before; and they are keen to have more SPS-related activities of this kind in the future, both on bilateral and regional levels.

Possibility of Exporting Meat to the EU: The Philippine competent authority inquired on the requirements for a country accreditation to be able to export meat and meat products into the EU. The Delegation informed them that the Directorate General for Health and Consumer Protection (DG SANCO) is the relevant service that evaluates and approves third countries exporting into the EU. Guidelines regarding procedures to be followed were also sent for their reference.

Rapid Alert System for Food and Feed (RASFF): The RASFF operates within the EU Member States and the European Free Trade Area (EFTA)/ European Economic Area (EEA) countries, allowing the exchange of information on potentially hazardous foodstuffs. When the Commission receives a notification from a Member State via the system concerning a product originating from or consigned from a country outside the EEA, the practice of the Commission is to systematically inform this country of the notification.

The Commission services in Brussels were informed through the RASFF of the following incidents, which in turn were officially communicated by the Delegation to the Government of the Philippines:

- On 17 December 2003, regarding indications of carbon monoxide treatment of frozen tuna fillets from the Philippines
- On 30 January 2004, regarding the presence of 3-*monochlor-1,2-propanediol* (3-MCPD) in soy sauce from the Philippines
- On 1 March 2004, regarding the presence of 3-*monochlor-1,2-propanediol* (3-MCPD) in soy sauce from the Philippines
- On 15 April 2004, regarding the presence of *chloramphenicol* and *aminoglycosides* in frozen shrimps (*Solenocera Spp.*) from the Philippines
- On 28 May 2004, regarding irradiation in instant noodles with spice mixture bags from the Philippines
- On 20 August 2004, regarding packaging not suitable for foodstuff and suffocation risk from foodstuffs from the Philippines
- On 17 September 2004, regarding the presence of histamine in sardines (*sardinella spp.*) from the Philippines

ROHS Directive: On 27 January 2003, the European Parliament and the Council of the European Union have published Directive 2002/95/EC on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (ROHS). According to this Directive, EU Member States must ensure that, from 1 July 2006, new electrical and electronic equipment in the market does not contain *lead*, *mercury*, *cadmium*, *hexavalent chromium*, *poly-brominated biphenyls (PBB)* or *polybrominated diphenyl ethers (PBDE)*. All EU Member States were

supposed to have transposed the Directive into their national legislation by 13 August 2004. However, so far only Greece has done so. Most other Member States are currently adopting legislation. National measures restricting or prohibiting the use of these substances in electrical and electronic equipment, which were adopted in line with Community legislation before the adoption of this Directive, may be maintained until 1 July 2006. The Directive does not apply to spare parts for the repair, or reuse, of electrical and electronic equipment in the market before 1 July 2006. Certain substances in some specific applications are exempted from this Directive. It concerns cases in which substitution of hazardous substances is not possible from a scientific and technical point of view or if the negative environmental or health impacts caused by substitution are likely to outweigh the human or environmental benefits of the substitution.

WEEE Directive: Directive 2002/96/EC on Waste Electrical and Electronic Equipment (WEEE) was published on 27 January 2003. This Directive arranges separate collection of waste of electrical and electronic equipment, as well as recycling and/or recovery of this waste stream. The Directive aims (1) to reduce the amount of WEEE and (2) to promote reuse, recycling and other forms of recovery of such waste so as to reduce the disposal of waste. The Directive should also provide an incentive for producers to design such products in a way that facilitates repair, possible upgrading, re-use, disassembly and recycling and the use of recycled materials in new equipment. All EU Member States were supposed to have transposed the Directive into their national legislation by 13 August 2004. However, so far only Greece has done so. Most other EU Member States are currently adopting legislation. The EU had notified the WTO Secretariat as early as July 2000 and a period of 60 days was allowed for sending comments.

REACH Chemicals Policy: As a pilot initiative under TREATI, the EC organised back to back seminars in Manila and Singapore in November to explain to ASEAN stakeholders the proposed new EU regulatory framework for chemicals involving a single, integrated system for Registration, Evaluation and Authorisation of Chemicals (REACH). REACH is envisioned to ensure that essential information on chemicals is available to enable substances to be assessed and their potential risks managed effectively in order to protect human health and the environment. It will, among others, require enterprises that manufacture or import more than one metric tonne of chemical substance per year into the EU to register the chemical with a new European Chemicals Agency. The proposal is still at an early stage and is being discussed by the European Parliament and the EU's Council of Ministers.

The Manila seminar, was co-organised with the DTI and was particularly successful, with some 80 participants from industry, government and academe. It provided a good opportunity for dialogue and generated many useful ideas for continuing co-operation on this issue (e.g., developing guidance documents and software tools to assist manufacturers, carrying out pilot projects to test the system in practice, and possible technical assistance).

Investment Relations

The EU has been the largest source of foreign direct equity investments that have flowed into the Philippines in the past decade, overtaking both Japan and the US. Over the period 1990-2004, EU direct equity investments accounted for more than one-fourth of the total equity investments into the country. (See Figure 4)

After the Asian crisis, EU equity investments initially increased, providing an important boost to the Philippine economy. In fact, from a pre-crisis (1994-1997) average of - 254 million, it increased to an average of 412 million in 1998-2001. However, investments have deteriorated since 2002 and turned negative in 2003. (See Figure 4)

Thus a large potential for enhancing EU-Philippine investment relations remains. In fact, the Philippines has attracted only 0.2% of EU equity investments over the past decade, at an average of some 240 million a year. The Philippines has also historically received one of the smallest shares of EU-FDI in the ASEAN region.

Moreover, the EU remains the largest portfolio investor in the country, accounting for 41% of the total portfolio investments over the period 1990-2004. In comparison, the US accounts for only 25%, Hongkong for 15%, ASEAN for 12%, and Japan only 2%.

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Moreover, the EU remains the largest portfolio investor in the country, accounting for 41% of the total portfolio investments over the period 1990-2004. In comparison, the US accounts for only 25%, Hongkong for 15%, ASEAN for 12%, and Japan only 2%.

Figure 4: Foreign Investment in the Philippines by Major Source

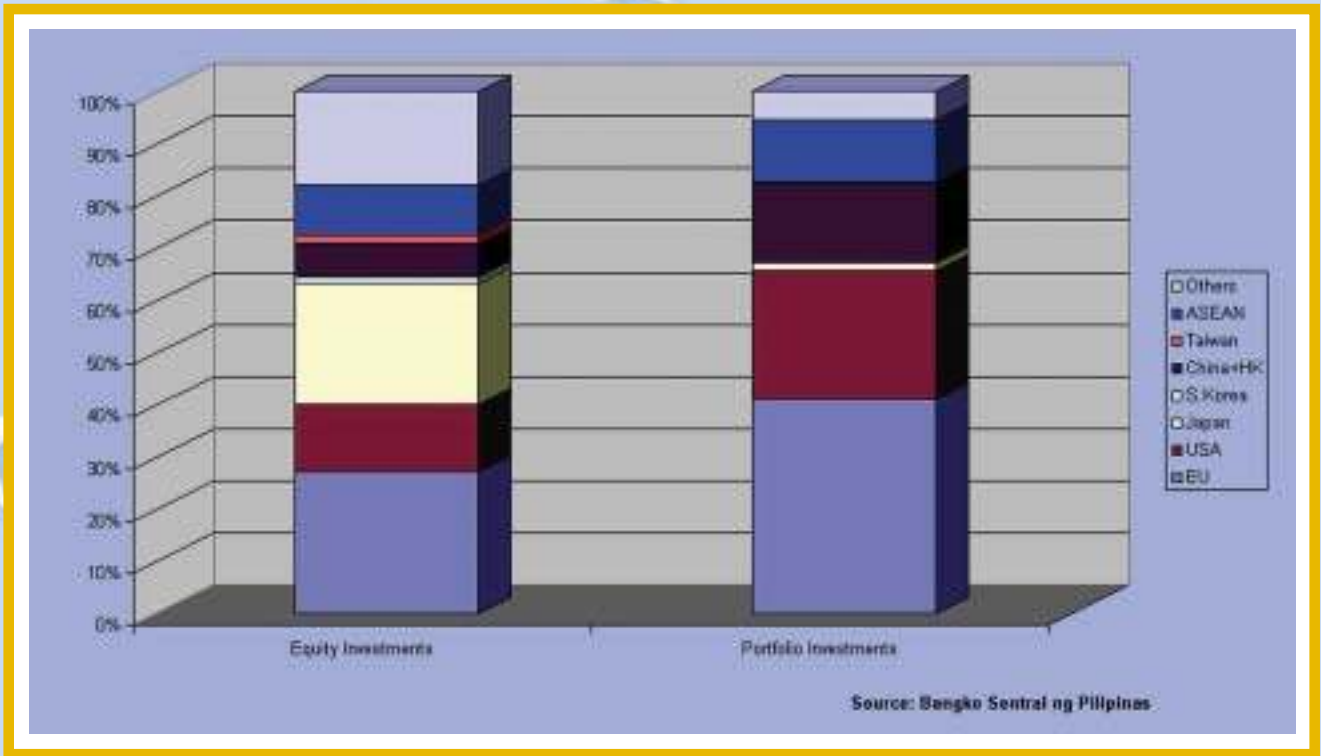
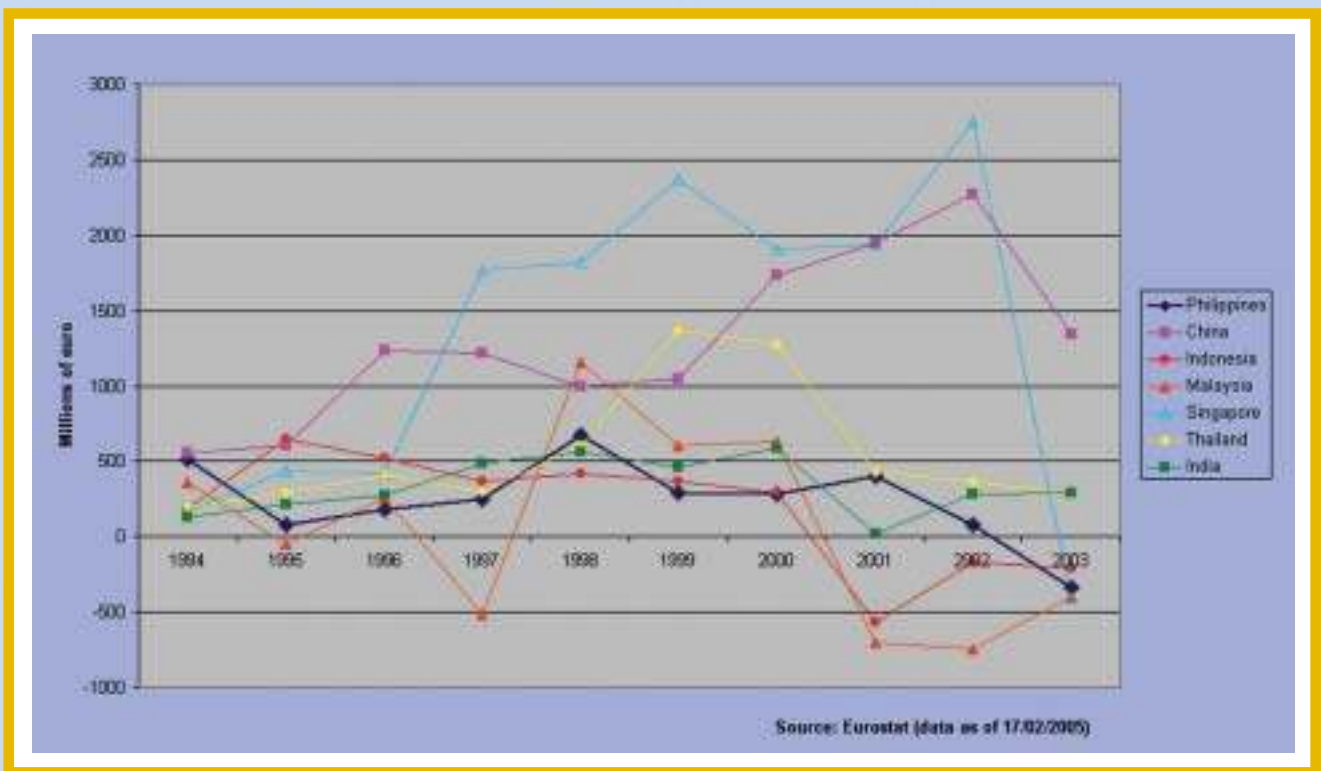


Figure 5: EU Equity Investment into Selected Asian Countries



IPR-Related Measures

Access to Medicines: In May, the EU adopted a regulation enabling exporters to deliver essential medicines at strongly reduced ('tiered') prices to poor countries by making sure the goods are not diverted back to the EU. The regulation aims to enable producers to significantly increase supplies of medicines to combat HIV/AIDS, malaria and tuberculosis at lower, so-called 'tiered' prices, while keeping higher prices for the same items in the EU. Exporters are invited to put their products on a tiered-

price list run by the European Commission. Both patented and generic products can be registered. In order to be added to the list, medicines have to be made available either with a price cut of 75% off the average 'ex factory' price in OECD countries, or at the cost of production plus 15%. The proposed system is simple and transparent.

Trade Defense Measures

Safeguard Measure - Ceramic Tiles: In December, the DTI ordered the extension of the safeguard measures on imports of ceramic

tiles for another three (3) years, beginning on 12 January 2005. The order also confirmed that ceramic tiles imported from the European Union, which cannot be considered “like product or directly competitive product” are excluded from the imposition of the extended definitive general safeguard measure.

Anti-Dumping Measure – Stainless Steel Fasteners: On 15 July a complaint was lodged by the European Industrial Fastener Institute (EIFI) on behalf of producers representing a major proportion of the total EU production of stainless steel fasteners and parts thereof. The complaint alleges that imports of such products (i.e. bolts, nuts and screws of stainless steel) originating in the People’s Republic of China, Indonesia, Malaysia, the Philippines, Taiwan, Thailand and Vietnam, are being dumped and are thereby causing material injury to the EU industry. Having determined that there is sufficient evidence to justify the initiation of a proceeding, the Commission initiated an investigation on 24 August. The Philippine government was notified of this decision and provided information in accordance with WTO rules. The investigation will be concluded within 15 months, but provisional measures may be imposed within nine months.

Circumvention of Anti-Dumping Measures – integrated electronic compact fluorescent lamps: On 16 August a request was lodged by Lighting Industry and Trade in Europe (LITE) on behalf of producers and importers of CFL-i in the EU. LITE is requesting an investigation on the possible circumvention of the anti-dumping measures imposed on integrated electronic compact fluorescent lamps (CFL-i) originating in the People’s Republic of China. To be investigated are products consigned from Vietnam, Pakistan and the Philippines. The request contains sufficient prima facie evidence that the anti-dumping measures on imports of the product concerned originating in the People’s Republic of China are being circumvented by means of transshipment via Vietnam, Pakistan or the Philippines and/or by assembly in Vietnam, Pakistan or the Philippines of the product under investigation. Also, the request contains sufficient prima facie evidence that the prices of the product

under investigation are dumped in relation to the normal value previously established for CFL-i originating in the People’s Republic of China. Having determined that there is sufficient evidence to justify the initiation of an investigation, the Commission did so on 8 September and decided to make such imports subject to registration. The Philippine government was notified of this decision and provided information in accordance with WTO rules.

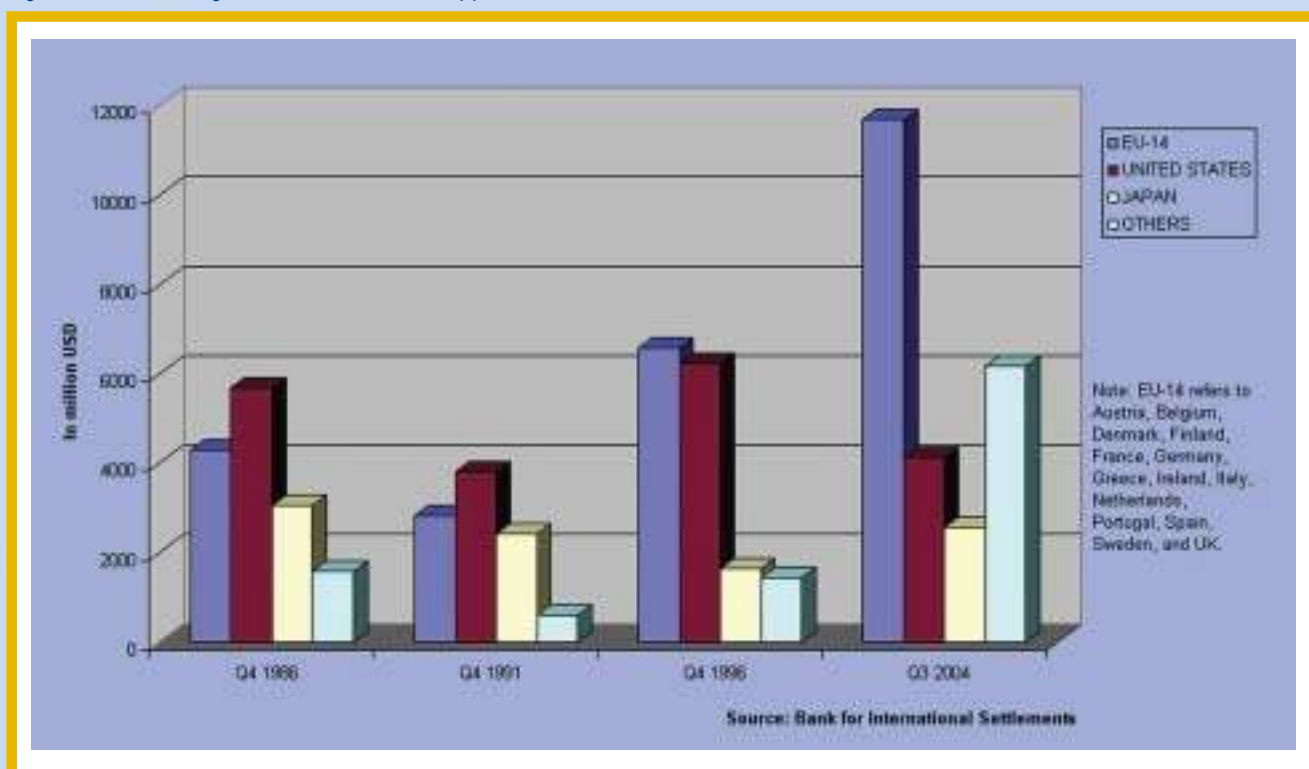
Financial Relations

With the liberalisation of the Philippine banking sector in 1994, EU banks responded by substantially increasing credit to the Philippines. Since the mid-1990s, the EU has surpassed the US as the largest supplier of bank credit to the Philippines. In fact, as of September-2004, EU banks account for 48% of total outstanding bank credit to the Philippines. US and Japanese banks by comparison are estimated to account for only 17% and 11%, respectively, of such credit. (See Figure 6)

Financial Relations

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Figure 6: Outstanding Bank Credit to the Philippines



In addition, the Philippines seems to have recognised that the introduction of the euro could provide the Philippines an opportunity to further lessen its dependence on the US dollar in various facets of its economic life. In fact, the Philippine Government began floating euro-denominated bonds from the early part of 1999, allowing it to further diversify its foreign debt. In July the government conducted the largest euro-denominated transaction out of Asia for 2004 by re-opening its 300 million 9.125% eurobonds due February 22, 2010 to successfully refinance its 350 million 8.00% eurobonds due September 2004, bringing the total outstanding amount to 650 million. Overall, the country's euro denominated foreign debt now accounts for 7% of total foreign debt as of 3rd quarter 2003 (versus 4% a year ago). With the strengthening of the euro, the central bank has also adjusted the composition of its international reserves, about 10% of which was denominated in euro towards the end of 2004 (from 1% in 1999). Interestingly, although precise information is limited, there is evidence that the Philippines has begun to use the euro in international trade, both in import and export transactions. A number of banks, both foreign and local, have also introduced euro accounts. These accounts should allow Filipinos the opportunity to diversify their asset portfolio, especially given the general upward trend in the peso-euro exchange rate. In 2004 alone, the peso depreciated by 9% against the euro versus 1% against the US dollar. Thus, since its introduction in 1999, the value of a euro in peso terms has appreciated by 89%. (See Figure 7)

Trade Preferences

Generalised Scheme of Tariff Preferences (GSP): In July, the EC proposed new guidelines for EU GSP for the next 10 years. The EC proposes to improve the current system in a number of areas: simplification (cutting back the five separate arrangements which exist at present to only three); focusing the benefits on those developing countries

most in need, fostering regional cooperation and strengthening the focus for additional GSP benefits (GSP+) on sustainable development. The proposal was approved on 11 October. In line with the new guidelines, the EC proposed a Regulation on 20 October, to implement the new EU GSP scheme which is expected to be approved in early 2005 and enter into force from 1 July 2005 (possibly earlier) until December 2008.

The proposed regulation will *simplify* the EU GSP as the current five GSP arrangements are reduced to three:

- a general arrangement (reduction of 3.5% over the normal customs duty for sensitive products, reduction of duties to zero for non-sensitive products),
- "Everything but Arms", giving duty-free and quota free access for all products for the world's 50 poorest countries;
- a new "GSP+" giving tariff preferences to vulnerable countries who meet clear, transparent and non-discriminatory criteria related to sustainable development and good governance (reduction to zero duty for a total of 7200 products).

The GSP will also be more *stable* as it will apply for three years without any changes, including graduation. Under the previous GSP system, graduation took place every year, creating difficulties for both developing countries and EU importers. Graduation under the new scheme will be based on a simple criteria: when a group of products ("section" of the custom code) from a particular country exceed 15% of total EU imports of the same products under GSP over the last three consecutive years. The new GSP also provides *wider benefits* as it incorporates nearly 300 additional products, mostly in the agriculture and fishery sectors, in its coverage. On rules of origin, greater flexibility is envisioned especially for regional cumulation.

The EU absorbs one fifth of developing country exports. 40% of EU imports originate in developing countries. The EU is also the world largest importer of agricultural products from developing countries, absorbing

Figure 7: Peso Exchange Rate vs Euro and US\$



more than the US, Canada and Japan taken together. Philippines ranked 16th in 2003 as a GSP-user based on preferential imports. Philippines currently enjoy the benefit of the GSP general arrangement. Its total imports were about 6 billion of which 1.2 billion were eligible for GSP and 576 million actually imported into the EU under the GSP. The utilization rate was 45%.

Joint Mission of Administrative Co-operation: A joint Mission was undertaken on 3 - 18 March 2004 with the purpose of verifying the origin of frozen red shrimp exported from the Philippines to the EU under cover of GSP certificates of origin Form A. It was decided to conduct the joint Administrative co-operation Mission following the discovery of unprecedented huge shipments of frozen red shrimps to the EU under GSP coverage purportedly from the Philippines. The Philippine Government took the initiative of reporting this situation to the EC, particularly the Bureau of Fisheries and Aquatic Resources (BFAR) which brought to the attention of EC authorities on the unauthorised exportation of frozen shrimps to some EU Member States. Prior to the Administrative Mission, the concerned agencies of the Government undertook their own investigation and were able to establish that the bulk of the frozen red shrimps exported by certain establishments did not originate in the Philippines but were transshipments from another country. Certain documents accompanying the consignments were tampered with or forged to make it appear that the shrimps originated in the country so as to take advantage of the GSP privilege. As a result of this investigation, the Government took appropriate measures against the perpetrators of the misrepresentation; instituted appropriate checks in the procedures of issuing GSP certificates of origin Form A to minimise the occurrence of similar incidents in the future; and imposed a unilateral moratorium on the export of frozen red shrimp to the EU until the problem is resolved. In close cooperation with the competent authorities of the Philippines, and following meetings with those same authorities in Manila, the Joint Mission visited a number of importing/exporting companies in the Philippines in order to establish whether the products exported to the EU under the relevant legislation fully complied with the origin requirements of the EU GSP and in order to identify the real origin of the exported products.

The mission was composed of officials from both the EU and the Philippine Government including from the European Anti-Fraud Office (OLAF), representatives from 2 EU Member States, Department of Foreign Affairs, Bureau of Customs, BFAR, etc.

Competition Policy

Liner Shipping: In October, the EC issued a policy paper in which it suggests to bring more competition in the maritime sector. The paper considers repealing the generous exemption from competition rules which has benefited the sector for almost 20 years and which allows groups of shipping lines to fix the price for transporting goods between the European Union and the rest of the world, in particular the Far East and the United States. This immunity has since been subject to review in several parts of the world, including at the Organisation for Economic Co-operation and Development. In addition, conclusions of the Lisbon European Council in 2000 which called on the EC "to speed up liberalisation in areas such as gas, electricity, postal services and transport". The policy paper is the second step in the EU review and should culminate with concrete legislative proposals in 2005. It analyses whether to maintain, modify or repeal the current regulation and, particularly, whether to replace the present so-called block exemption with other instruments. Given the potential impact on carriers, shippers and end-consumers worldwide, the Commission is inviting interested parties, including from non-EU

countries, to comment on the subject and on possible alternatives.

Regional Integration

Trans-Regional EU-ASEAN Trade Initiative (TREATI): Following the launch in 2003 of this regional trade action plan to support EU-ASEAN regulatory cooperation, a revised TREATI Roadmap for 2004 was agreed during the 4th AEM-EU Consultations in Yogyakarta in January. In line with this roadmap, a regional TREATI Workshop for the Business Sector was organised in March in Bangkok to inform and encourage the private sector in EU and ASEAN to become fully involved in the process. A number of pilot initiatives were also undertaken during the year. In May, a regional Food Safety Seminar was held in Bangkok to disseminate and explain the EU safety regulations and import controls, as they apply to food exports from ASEAN. In November, a seminar on the proposed EU REACH Chemicals Policy was held back to back in Singapore and Manila (see discussion above under REACH).

In September, ASEAN Trade Ministers and EU Trade Commissioner Pascal Lamy agreed to give an impulse to TREATI by fast-tracking six priority areas: sanitary and phytosanitary rules on agro-food and fishery products, standards on electronics and forestry as well as horizontal co-operation on investment and trade facilitation. These topics fully reflect priority sectors identified by ASEAN within their own regional integration process.

WTO

Doha Development Agenda (DDA): As part of its alliance-building and bridge-building initiatives, the Commission continued to deepen and strengthen its contacts with key Philippine government agencies dealing with DDA issues. This was accomplished through active exchange of information and views through various meetings and written communication.

In order to inject momentum into the negotiations, the EU circulated a letter in May outlining three areas where the EU is ready to make further movement. On agriculture, the EU put all export subsidies on the table. On the Singapore Issues, the EU acknowledged that general readiness to launch negotiations on Trade Facilitation only (no consensus to negotiate on investment and competition; not clear on Transparency in Government Procurement). On development issues, the EU suggested to give the round "for free" (i.e., no market opening required) to the poorest countries.

On 1 August, members of the World Trade Organisation put the WTO trade negotiations back on track, by agreeing on the parameters of the future package in five key areas: agriculture, industrial products, development issues, trade facilitation, and services. The parameters adopted will entail in particular a substantial cut in trade-distorting agriculture support, a solution for cotton, a reduction of tariffs on industrial products with special rules for developing countries, and stepping up negotiations on services. The framework agreement also reconfirmed that development issues need to make serious progress throughout the Round. It was also agreed that the next WTO Ministerial will take place in Hong

Kong in December 2005. Since August however, although negotiation resumed in all areas, progress has been sporadic and the momentum insufficient. The DDA is therefore needs to shift gears into more intensive negotiating mode in 2005.

Following the launching of the Doha Development Agenda at Doha in 2001, the EC has scaled up considerably its commitments for TRA. In the period 2001-2003 the EC has committed more than 2 billion for Trade Related Assistance. Another 2 billion has been set aside for the next 4-5 years. A 3.4 million bilateral TRTA Programme for the Philippines was approved in 2004 (see Chapter II). Also, the *Expanding Exports Helpdesk*, an online resource provided by the European Commission to facilitate access by developing countries to markets within the European Union was launched in February. The Helpdesk provides information on EU import tariffs, trade statistics, rules of origin, basic customs documentation, and an on-line forum for traders. The helpdesk may be accessed by logging onto <http://export-help.cec.eu.int>



The European Investment Bank (EIB), the European Union's financing arm, operates in the Philippines within the context of the EU's Asia and Latin America (ALA) mandates and has steadily increased its presence in the region since 1993. The current mandate, covering the period February 2000 to January 2007, amounts to 2.48 billion, without specific country allocations.

Under these arrangements, the EIB provides medium to long term lending to finance investments in countries that are signatories of Co-operation Agreements with the EU. In Asia these comprise 18 countries, including ASEAN countries. In the Philippines, the general framework for EIB lending is governed by an agreement between the Republic of the Philippines and the EIB (The Framework Agreement), which was signed on 15 September 1994 and renewed on 7 July 1997.

While the EIB will continue to support public sector projects on a case-by-case basis in Asian countries, the focus of its operations is geared particularly towards the private sector in areas of intervention such as infrastructure, industry, agro-industry mining and service sectors. In this respect, the Bank has been actively seeking projects where a mutual EU-Asian interest could be identified. In particular, it provides long term support to EU-Asian joint ventures, or partnerships, embarking on operations with quantifiable value added for the economy of its Asian partners allowing, to a considerable extent, the transfer of EU technology to sectors of particular interest to beneficiary countries like the Philippines.

During the past ten years, the EIB has financed both public and private sector operations in the Philippines.

EIB loans in excess of 25 million have, in the past benefited only larger projects. The Bank has signed two lines of credit in 2004 with reputable financial intermediaries to provide medium to long term financing to small and medium scale investments and to assist SME development in the Philippines. The first global loan, for 40 million, was provided to ABN-AMRO Bank Inc., a subsidiary of ABN AMRO NV; the second, for an amount of 25 million, was extended to government-owned Development Bank of the Philippines.

ABN AMRO Global Loan - Philippines

The Bank has provided its first 40 million global loan facility to support medium-sized investments in the Philippines via ABN AMRO Bank Inc. The funds are further onlent to final beneficiaries in various sectors

The funding is assisting ABN AMRO Bank Inc. to cover its term

funding requirements for capital expenditure investments projects in the sectors of commercial infrastructure, particularly power and water sectors, industry, agro-industry, and also investment in eligible health and urban development, tourism, and related services including leasing. The loan is assisting in the promotion of EU foreign direct investment in the Philippines and is supporting local entrepreneurship and employment. The EIB funding has been particularly earmarked for private sector enterprises and public / private partnerships promoting EU-Philippines mutual interest.

DBP Global Loan - Philippines

A second global loan for an amount of 25 million was provided to support medium-sized investments in the Philippines and the Development Bank of the Philippines is managing this facility. The eligibility criteria and sectors for the onlending are similar to the first global loan given to the ABN AMRO Bank Inc in the Philippines

Moving Forward

The Bank will continue to finance eligible operations of mutual EU-Philippines interest that will have a positive impact on both national and regional development and particularly projects in the field of environmental protection, infrastructure, development of a knowledge-based economy, rational use of energy, industry, tourism and financial services.

Additional information on EIB's lending terms and conditions in Asia and contact details can be found on the Bank's web site: www.eib.org.



EU Member States' Bilateral Co-operation



The EU Flag and the flags of EU Member States

In 2004, a number of EU Member States continued their co-operation with the Philippines in a range of development, culture and education, and economic and commercial programmes. Mindanao still received most of the development assistance through bilateral and NGOs co-operation projects, but some Member States provided support to provinces in Luzon and Visayas regions.

In 2004, total financial commitments amounted to - 113.06 and could be classified into grants 60.83 and loans 52.23. (Please refer to Annex A for the breakdown).

AUSTRIA

In the 1970s and 80s, the Philippines received development assistance from Austria in the form of soft loans directed mainly to the power sector. In the late 1990s and during the beginning of 2000, Austria diversified its development and economic programmes. At present, the beneficiaries/recipient sectors include transport infrastructure, health, technical/ vocational training, and disaster management/law and order/peace processes as well as fire protection.

Project commitments made from 2002 until 2004 have now been successfully completed, specifically: supply and installation of modular steel bridges in cooperation with the Department of Interior and Local Government (DILG); hospital development projects in cooperation with the Department of Health; civil defense with the DILG. The remaining projects for 2005 are concentrated on the supply and installation of modular steel bridges in cooperation with the Department of Public Works and Highways and technical/vocational training with the Technical Education and Skills and Development Authority or TESDA.

New projects amounting to approximately 52.9 million are currently underway and are awaiting Philippine Government's approval. The projects involve infrastructure, health, energy and civil defense.

For 2004, the financial commitment of Austria for development co-operation (OOF) was in the amount of - 25.93 million covering

infrastructure, technical training and civil defense.

BELGIUM

Belgium's contribution to development in the Philippines is composed of the following components: direct bilateral aid (grants); indirect aid through NGOs, inter-university co-operation, and scholarships (grants); multilateral aid (grants); emergency assistance (grants); and concessional financing ("soft loans")

Direct aid : Belgian Integrated Agrarian Reform Support Programme (BIARSP)

In the mid-1990s, a large-scale co-operation programme was launched to support the agrarian reform process in the Philippines. The Belgian Integrated Agrarian Reform Support Programme (BIARSP) aims to fight poverty by increasing the income of agrarian reform beneficiaries. Support is aiming to raise agricultural productivity, and to improve basic education, primary health care, drinking water supply and sanitation.

BIARSP is being implemented in Region VII (Cebu, Bohol, Siquijor and Negros Oriental), region IX (Provinces of Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay) and Basilan, reaching out to agrarian reform communities in 54 municipalities.

In 2003, the Belgian and Philippine Governments agreed to extend BIARSP until 2007. The last phase started in September 2003 and can be characterised as a consolidation and transfer phase.

The leading implementing agencies of BIARSP are the Belgian Technical Co-operation and the Department of Agrarian Reform of the Philippines.

The total Belgian contribution for BIARSP (including the on-going third phase) amounts to 22 million; in the period 2004-2007 7.2 million will be disbursed.

BIARSP can proud itself on quite some "firsts":

- It is the first programme in the Philippines to implement the Integrated Local Health District Systems, in collaboration with the DOH and the LGUs;
- It is the first programme in the Philippines to give access to the Philippine health insurance on the lowest level, in collaboration with PhilHealth;
- It is the first programme in agrarian reform to be implemented in the Zamboanga peninsula.

Indirect aid

Belgian NGOs and their Philippine partner organisations have been principal recipients of Belgian indirect aid to the Philippines (support to NGOs amounts to roughly half of total Belgian aid to the Philippines). In 2004, this amounted to 2.56 million. Priority areas of NGO assistance in the Philippines are public health, education, rural development,

agriculture, and community building. Projects are implemented throughout the country.

The Institutional University Co-operation programme of the Flemish Inter-university Council (VLIR) supports interuniversity co-operation between the Universities of Leuven, Ghent and Antwerp, and Saint Louis University (Baguio City) and Benguet State University (La Trinidad, Benguet), for library and IT system development and academic capacity building. The programme is currently in its second five years' cycle with a commitment of 3.0 million for the period 2003-2007.

Funding through the Francophone Interuniversity Council (CIUF) links the Ateneo de Manila University – Institute for Environmental Science for Social Change (ESSC) with the University of Namur in a project developing innovative cartographic techniques for the improvement of community-based forest and water resources management in Mindanao. In 2003, disbursements totalled 234,327. A next phase of this project is currently under consideration.

The Flemish Association for Development Co-operation and Technical Assistance (VVOB), a government agency promoting co-operation in education and training, continued to fund a scientific researcher at the International Network for the Improvement of Banana and Plantain (INIBAP), based at the International Rice Research Institute in Los Baños, Laguna.

In 2004, ca. 25 graduate studies scholarships in Belgium –were awarded to Filipino students.

Multilateral aid

In an effort to contribute to peace and development in Mindanao, Belgium set up a trust fund amounting to US \$ 800,597 for vocational skills training for former MNLF soldiers, their families and communities, through the GOP-UN Multi-Donor Programme for Peace and Development in Mindanao and its successor programme.

Emergency assistance

The Belgian Government donated 30,000 to the Red Cross as its contribution to its emergency relief programme after several typhoons hit large areas in eastern Luzon in November and December 2004.

Economic co-operation through soft loans

On 4 August 2004, a new state-to-state loan agreement (0% interest rate) amounting to 6.30 million was signed between the Government of the Philippines and Belgium for the second modernisation phase of the Light Rail Transit-1 in Metro Manila.

The CZECH REPUBLIC

The Government of the Czech Republic has been granting the Philippines, Official Development Assistance since 2000. From 2002 to 2004, this aid included the supply and commissioning of three water treatment plants and pressure water filters in Baguio City. The water treatment plants were installed on three sites of the Baguio Water District i.e. in Camp 8 (commissioned in April 2002), in Ambiong (commissioned in October 2002) and in Santo Tomas Rain Basin (commissioned in July 2004). Six treatment units are in operation and it

is ensured that the quality of treated water conforms to standards.

In 2003, field research and a feasibility study were conducted and technical plans designed for the construction of a mini-hydro plant in San Luis, Aurora Province. The supply and commissioning of the electro-mechanical equipment for the said plant was partially -executed in 2004. Completion and commissioning is expected in 2005.

ODA was always in the form of grants corresponding with the value of the supplied equipment and services from the Czech Republic. In 2004, financial commitments were as follows: 0.13 million for the 4th stage of the Baguio project, and 0.367 million for the hydropower plant in San Luis.



Czech Republic Development Assistance to the Philippines includes the supply and commissioning of three water treatment plants and pressure water filters in Baguio City. The water treatment plants were installed on three sites of the Baguio Water District. (Photo Credit: Embassy of the Czech Republic)

FINLAND

Finland continued to be a small, but an active and reliable development partner of the Philippines.

Finland co-operates with the United Nations Industrial Development Organization as well as with local governmental and business organisations in Mindanao by supporting *The Industrial Development Programme for Income and Employment Generation*. Since 2000, the programme aims to enhance the opportunities of micro and small-scale enterprises by providing them with capacity-building measures. Areas covered under this programme include Cotabato, General Santos, Iligan, Malalag Bay Area and Zamboanga.

In Bohol, Finland contributes to the bilateral health programme *Towards a Well Functioning, High Quality EPI in the Philippines: Aiming at Introducing New ARI Vaccines in the EPI*, implemented by the National Public Health Institute of Finland together with the Research Institute of Tropical Medicine of the Philippines. The programme, which has been ongoing since 2000, received a financial extension from the government of Finland in 2003 for the continuation of activities. It has also earlier received funding from the European Commission Directorate of Research.

To further support the improvement of young infant survival in Bohol, Finland extended a small-scale grant to the Governor Celestine Gallares Memorial Hospital of Tagbilaran for upgrading the hospital equipment in the end of 2004.

Finland also continues to support initiatives of local non-governmental organizations, community-based organizations, foundations and other registered institutions in the Philippines through its facility of Funds for Local Cooperation. In 2004, funding was extended to three main sectors: indigenous peoples' projects on livelihood and basic infrastructure, social sector projects enhancing the conditions of children and to human rights organizations. University co-operation was also continued by financing research on the effects of computer-mediated interactive communications in the Philippines.



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In addition, Finland was active in advancing its concessional credit projects which provide long-term loans with zero interest for sustainable development projects in the Philippines. Projects in the pipeline support the Philippine government's efforts in the fields of tax collection, emergency response as well as forestry and environment.

The total of new Finnish financial commitments for development co-operation in 2004 amounted to 260,000, including solely support through funds for local co-operation and through Finnish non-governmental organizations operating in the Philippines.

FRANCE

Financial aid

Financial aid constitutes the main part of French ODA to the Philippines with the following characteristics: it is entirely project-financing; it consists of grants, mostly for pre-feasibility studies, and soft loans for actual project implementation

Total cumulative commitments reached 364 million, of which 9 million represented grants. Most projects were in the fields of telecommunication and information technologies (40%), and the remaining in energy, transportation, environment and health.

Implementation difficulties regarding a number of projects resulted in no loan commitment being made between 1999 and 2003 (there remained a flow of grants of less than 1 million per year). In 2004, after many of the problems had been cleared, a financial protocol of 22.50 million was signed for a rural electrification project in Masbate.

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Cultural co-operation

This covered university co-operation (training of students, promoting French universities, following-up-existing agreements with universities); language teaching to increase the interest of the Filipinos in the French language; and cultural events including the 6th edition of the French Spring in Manila or the Francophone Week. In total, this sector absorbed 362,182.

Scientific and technical co-operation

Co-operation in ICT between Seameo-Innotech in Manila, Asian Institute of Technology in Bangkok, Regional Center for Higher Education and IUFM in Limousine, France was established during the year. In the field of marine biodiversity, the National Museum of Natural History of Paris, in collaboration with the University of Cebu, organized a research workshop on marine biodiversity. This regional endeavour gathered together European and Asian researchers.

A programme of co-operation between Europe and Asia to develop an International Master of Applied Mathematics and Information Sciences at the University of the Philippines was also sustained. Furthermore, in celebration of the International Year of the Rice, the *Service de Coopération et d'Action Culturelle* or SCAC hosted the exhibit entitled *Rice Feeds the World*.

A project from the *Centre De Cooperation Internationale en Recherche Agronomique Pour Le Developpement* or CIRAD with the Philippine Council for Aquatic and Marine Research and Development, the Department of Science and Technology, the Department of Agriculture and the Bureau of Fisheries in selecting a certain specie of tilapia also ensued. The Embassy also worked with the Philippine Council for Agriculture, Forestry and Natural Resources, and the CIRAD-Forest to finance the construction of a Forest Biotechnology Laboratory in Los Baños.

Other projects included: partnership with the Research Institute for Tropical Medicine by transfer of technology and financial support in the acquisition of medical equipment; provision of scholarship on Master in Communication Navigation and Surveillance or CNS at the *Institut d'Aéronautique et Spatial* in Toulouse; training of professionals, and institutional operations on maritime security;

The Service for Technical and Police International Co-operation also organised the participation of a representative from the Philippine Police Force to a training held in Paris concerning emergency management during bomb attacks. In addition, the Embassy also followed up on existing actions towards equality between genders, support for street children, abolition of the death penalty and the preservation of human rights.

Furthermore, the National Museum of Palau received a grant from the Pacific Fund which enabled them to finance additional installations of artistic and museum subjects. In total, 89,278 were spent on scientific and technical co-operation.

Audiovisual co-operation

In support of Philippine Cinema, the First Philippine Animation Festival jointly organised by the Animation Council of the Philippines, Center for International Trade Exhibitions and Missions and the Department of Trade and Industry was held. Financial support for the promotion of Philippine films in the international market was likewise in order.

In addition, the embassy also endeavoured to find local film partners who will assure the presence of French films in the country. It also organised the 9th French Film Festival and participated in Cinemania and Cine Europa 7. In collaboration with the Asian Institute for Broadcasting Development and the Animation Council of the Philippines, the embassy hosted a regional conference on Co-Production and Distribution of Animation Programs. Filipino audio-visual operators also expressed particular interest in the adoption of digital technology.

In the framework of developing new co-operations, an expert from Canal France International met National Telecommunication Commission authorities in Manila and managed to reach agreements concerning digital television. A total of 33,640 was used for audio-visual co-operation.

GERMANY

German-Philippine bilateral negotiations were last held in Bonn, Germany, in June 2003. The Government of the Federal Republic of Germany has pledged 26.50 million for 2003 and 2004 for a number of programmes and projects under the bilateral technical and financial co-

operation. Environmental policy and the protection and sustainable use of natural resources; health care, drinking water and sanitation/waste management as well as economic reforms and the development of the market system were equally confirmed as priority areas for German development co-operation with the Philippines. Decentralization was identified as a cross cutting topic.

As a step towards achieving the aims of the 2002 Johannesburg World Summit on Sustainable Development, the German Government is planning an additional special measure in the field of renewable energies at the request of the Philippine Government.

Other areas will be along: environmental policy, protection and sustainable use of natural resources; health, nutrition and family planning, AIDS/ HIV; economic reform and development of market system; drinking water, water management, sanitation/waste management.

Financial Co-operation: The Government of the Federal Republic of Germany provided the Government of the Philippines in 2003 to 2004 with funds totaling - 15.50 million. For the same period, the amount of - 52.53 million was reprogrammed, thus making available for the implementation of programmes the amount of 68.03 million. Out of this amount, up to

- 58.03 million was provided as loans with 40 years maturity, including a ten-year grace period, 0.75% interest per annum. A total of 10 million was provided as a grant. The total volume of financial co-operation since 1961 to-date is 537.774 million. This total of 54.605 million would be available for the implementation of projects and programmes under financial and technical co-operation.

Technical Co-operation: The Government of the Federal Republic of Germany provided the Government of the Philippines with funds totaling 11 million. For the period 2003 to 2004 together with reprogrammed funds of 0.357 million, the amount of 11.357 million has thus been made available for projects and programmes under technical co-operation. The total volume of technical co-operation with the Philippines to-date amounted to approximately 249.50 million.

The total volume of bilateral financial and technical co-operation commitments since 1961 to-date amounts to - 787.274 million.

New commitments for 2003 to 2004 include the following: special programme renewable energies; rural water supply and sanitation (Visayas and Mindanao); family planning and HIV prevention III; (Famus II) pro-vision of essential drugs through social franchising, phase II - health plus; Philippine health sector programme; LGU investment program; SME finance program (also called Credit Line for Micro and Small Enterprises). Ongoing financial co-operation are the following: credit lines for micro, small and medium enterprises and local government units; industrial pollution control project phase II; upgrading of the Philippine Merchant Marine Academy; dual training and education project; provincial towns water supply and sewage program I and II; credit line for solid waste management; provincial towns water supply and sewage program III; cold chain equipment; family planning and HIV/AIDS prevention II; and community forestry project in Quirino.

Ongoing Projects and Programmes of Technical Co-operation

Ongoing projects and programmes of technical co-operation include the following: support of decentralised structures in the Visayas Region; SME promotion programme; integrated solid waste management programme for local government units; credit line for micro and small enterprises; studies and experts fund; Leyte Island programme (sustainable resource management Leyte); Siquijor integrated resource management project; sustainable management of the coastal resources in the Visayan area; support to the Philippine agrarian reform; consolidated support to the health sector reform agenda; integrated solid waste management programme for LGUs; promotion of vocational training; and integrated community coastal zone development in Silago Bay.

Two other projects, the integrated water management programme and the strengthening of the planning capability of the National Economic Development Authority have been extended. Meanwhile, new projects/programmes include pricing and regulatory framework for public utilities; advisory support to the environmental sector; studies expert fund; and peace building and conflict prevention in Mindanao.

Other Forms of Co-operation

As of January 2004, 41 volunteers from the German Development Service (DED) were active in the Philippines. Assistance is in the form of the following: SES (Senior Expert Service) which involves providing highly qualified retired experts on short-term missions; Public-Private

Partnerships (PPP), which mobilises additional contributions for development co-operation and complements ODA without being measured as ODA. Additional co-operation projects are made by GTZ, DEG and KfW.

Moreover, Germany continues to provide considerable levels of funding to support the development of the Philippines through contributions to the multilateral organisations such as the EU, World Bank, ADB, UNDP and other UN organizations. A large number of development projects are carried out by German NGOs, churches and "political foundations" affiliated with major political parties in Germany.

German development assistance during the last five years amounted to an overall annual average of 40 million, with bilateral ODA amounting to 20 million and multilateral ODA approximately 20 million. Germany is the third largest bilateral donor after Japan and the US and a major donor through multilateral banks and development organisations such as the United Nations and its agencies.

ITALY

Mindanao: A Memorandum of Understanding was signed in Manila on 3 November 2003 between Italy and the Philippines regarding a soft loan of 26.2 million for the Agrarian Reform Community Development Support Project. The MOU entered into force on 13 August 2004.

The project has three main components, namely:

Phase 1: Component "Farmer Support Centre Physical Infrastructure", which includes technical assistance, promotion and creation of Agrarian Reform Communities (ARCs), procurement of goods and services and civil works to build and equip the three Farmer Support Centres (FSC);

Phase 1B: Component "Start-up period (three years) FSC management and training", which includes the actual transfer of assets to the beneficiaries, technical assistance and training;

Phase 2: Operations and Maintenance Phase, which includes technical assistance and training.

On 20 March 2004, an invitation to bid was issued by the Department for Agrarian Reform in connection with the Agrarian Reform community Development Support Project. The pre-bidding procedures have been completed.

The Agrarian Reform Community Development Support Project will be carried out in Lanao del Norte, Maguindanao and Sarangani.

The Italian Government has pledged a contribution of US \$1 million to the Multi-Donor Trust Fund of the World Bank; this contribution is subject to the signing of a peace agreement between the Government of the Philippines and the MILF.

UNICEF: In the framework of the first phase of implementation of the "UNICEF East Asia Regional Project against abuse, exploitation and trafficking of children – 2002-2004", the Government of Italy has granted 1 million as a voluntary contribution for the Philippines. The possibility of an Italian support to the second phase of the project (2005-2007) is currently under discussion.

The Government of Italy has also allocated 100.000 from the Bilateral Emergency Fund to UNICEF in the Philippines as a response to the humanitarian crisis caused by the floods that hit Aurora and Quezon in last quarter of 2004.

NETHERLANDS

For the year 2004, total news commitments (all grants) under the Netherlands Development Co-operation Programme in the Philippines amounted to 4,81 million. This came solely from the Netherlands non-government organizations with their Philippine partner NGOs.¹

With the start of the phase out of activities in 2004 as a result of the de-listing of the Philippines from the Netherlands Bilateral Development Co-operation Programme, no new bilateral commitments were made in 2004.

Expenditures (disbursements) amounted to 7.55 million for ongoing Netherlands-assisted programmes and projects in 2004. About 3.55 million was spent on bilateral programmes assisted through the Royal Netherlands Embassy while 4.02 million was spent for activities supported through the Netherlands co-financing organisations.

In addition to programmes and projects implemented in the Philippines, the Netherlands also implements the Netherlands Fellowships Programme, which has been sending Filipinos to the Netherlands for advanced studies. In 2004, 49 Filipinos received fellowships for short-term and post-graduate studies.

PORTUGAL

Economic/Commercial Co-operation

During 2004, relations between the Filipino and Portuguese private sector were intensified, with commercial corporations' missions to Portugal. These missions had the financial support of the Portuguese Trade Office. In parallel, Portuguese commercial representatives (from the wine and ceramics sectors) came to Manila to further promote commercial links.

The Annual Portuguese Festival, an integrated project with commercial, cultural and entertainment, gastronomic, tourism, scientific and religious components took place in Manila in October 2004.

Education, scholarships and cultural co-operation

In the fields of education and language co-operation, the Portuguese language is taught in the University of the Philippines and Ateneo de Manila University. A detached Portuguese teacher lectured in the University of the Philippines.

The Portuguese Government also granted scholar-ships to Filipino students and teachers for language courses in the University of Macao.



The Annual Portuguese Festival, an integrated project with commercial, cultural and entertainment, gastronomic, tourism, scientific and religious components took place at the Podium, Makati City in October 2004. (Photo Credit: Embassy of Portugal)

¹ These Netherlands' NGOs received government funding but have other sources of funds. They have their own mandate and are not limited to the official list of partner countries of the Netherlands Government.

EU Member States' Bilateral Co-operation

Within the Programme of the Portuguese Festival, a joint research seminar was organised in the University of Santo Tomas. Several other cultural events, such as piano performances and gastronomic events took place during the past year.

The support towards social development continued with the work of assigned missionaries to the Philippines.

Financial commitments for 2004 totalled 0.058 million.

SPAIN

The year 2004 was the last year covered by the Filipino- Spanish 4th Bilateral Joint Commission, signed in Madrid in July 2001 and aiming at sustainable development in the Philippines. The total non-refundable disbursement in 2004 was 7.67 million so that the total budget for 2001-2004 was 31.30 million in grant assistance. The Joint Commission followed the guidelines of NEDA's Medium-term Philippine Development Plan 2001-2004 as well as the Director Plan of Spain's Agency for International Co-operation (AECI) in the Philippines, which is based on the Millennium Development Goals.

Roughly 42% of AECI funding was allocated to health activities, including the construction of the Eye Referral Centre situated in the compounds of the Philippine General Hospital.

Spain also provided soft loans for economic and commercial co-operation valued at 20 million.

Development Co-operation

The Spanish Co-operation priorities in the Philippines are poverty alleviation, agriculture and food security, and health. Most Spanish assistance is provided through bilateral co-operation projects, implemented with LGUs in a decentralized manner. NGO activities amount to one-third of the total. In 2004, the total amount appropriated to bilateral projects and programs was 3.85 million. During 2001-2004, AECI allocated to development projects on social infrastructure and services (water, health, food security, education and training, waste management) and technical assistance.

Among the largest ventures were the following: eye referral centre in the PGH, Manila; food security programme in Caraga- Phase II; integrated management water system in Camiguin Island; water and waste management in Vigan City, and; improvement of the agro-forestry practices in Mindanao and Visayas, implemented by the ICRAF-World Agro-forestry Centre; strengthening sustainable marine resource management in Baler, Aurora; capacity building using greenhouse technology in Bulacan and Pampanga.

The AECI also provided 0.11 million for technical assistance to the Spanish Cooperation Office-Embassy of Spain in Manila.

NGOs

There were 13 active Spanish NGOs carrying out projects in partnership with Filipino organisations, representing various sectors of civil society of both countries. The sectors include water, health, rural development, training and capacity building, eco-tourism and microfinance. Furthermore, the AECI also directly funded a



The Spanish development co-operation priorities in the Philippines includes capacity building using greenhouse technology in Bulacan and Pampanga funded by AECI. (Photo Credit: Embassy of Spain)

number of projects covering several Spanish missionary orders throughout the archipelago.

The total budget for the period 2001-2004 was - 2.89 million, or 37% of the overall Spanish grant assistance. Some 10 to 15 Spanish experts worked alongside their Filipino counterparts in the different projects implemented by the NGOs.

Cultural Co-operation

Spain is providing assistance through AECI's Cultural Action Programme; 0.03 million was disbursed in 2004 (not including activities of the Manila branch of the Instituto Cervantes).

Scholarships

The Spanish Scholarship programme included post-graduate (PG) studies and specialized courses as well as short Summer Language Courses for Filipino teachers in Spain. Fifteen post-graduate scholarships in Spanish State Universities were granted to Filipino students. Another 11 were granted two-month summer courses on the Spanish Language in Spanish Universities. Three doctorate holders for research on Hispanic Affairs were also given three-month scholarships. In addition, one professor of Spanish Language and Literature was given a two-month scholarship in the Summer School of Madrid. Additional 28 Filipino professionals and civil servants also attended eight advanced seminars on health, waste management, aquaculture, tourism, energy and small and medium enterprises in Spain.

The AECI disbursed 0.21 million on 29 scholarships in 2004.

In addition, the Spanish Government also provides grants to enable Spanish professors to lecture in different universities in countries with historic and cultural ties with Spain. For the academic year of June 2004 to April 2005, three Philippine universities, University of the Philippines, University of Sto. Tomas and the Philippine Normal University benefited from this lectureship programme. Considering the very good performance of the Spanish professors, the Philippine universities have renewed their contracts for another year.

Multi-lateral Co-operation

Spain funded one Junior Professional Officer (JPO), two United Nations Volunteers (UNV) in 2004 with the UNDP and UNFPA Country Offices in Manila, and a Junior expert in Development (JED) with the European Union, a contribution valued at 0.25 million.

Loans

The Economic Co-operation programme of Spain is based on the MoU signed between NEDA and Spain's Ministry of Economy for the period 2001-2004. The amounts committed within the MOA framework include - 62.5 million in highly concessional loans, another 62.5 million in commercial loans plus 4 million in grants for feasibility studies. The MoU's validity was extended until 2005 to cover some of the projects in the pipeline.

There is a rather large pipeline of already pre-negotiated projects with several executing agencies waiting for local budget clearance and amounting to up to 60 million, mainly, in energy, solid waste management and water.

The following projects were concluded in 2004: upgrade of the emergency room in the PGH-UP; the equipment of the Zamboanga General Hospital; the supply of a patrol vessel for surveillance (DA-BFAR).

SWEDEN

The current Swedish strategy for development co-operation in Philippines covers the period 2001 – 2005. However, the Swedish Government decided in 2004 that a regional strategy for South East Asia would be developed during 2004, to replace the current Country Strategy for the Philippines. The new strategy contains both a regional perspective as well as country strategies for the Philippines, Thailand, Indonesia and Timor Leste. It is expected that the strategy will enter into force during spring 2005.

Within the framework of Sweden's overall development co-operation objectives, the immediate goals for the bilateral co-operation with the Philippines are defined as "from a poverty perspective contribute to the sustainable use of natural resources and the protection of the environment" and "to help strengthen the democratic system and increase the respect for human rights"

The development co-operation programme is mainly carried out in the form of technical assistance and concessionary credits and guarantees. Support is also given to Swedish NGOs' co-operation with partners in the Philippines. Seven framework organisations are presently involved in this co-operation programme. Representatives of government agencies, organisations and private companies in the Philippines are actively being invited to international training programmes financed by Sida. Moreover, Sweden also provides emergency financial assistance to the Philippines.

In 2004, a total of 1.85 million was disbursed as grants to the Philippines while a total of 641,547 was disbursed for ongoing technical assistance projects, mostly related to improving technologies in the environmental field.

Assistance through Swedish NGOs active in the Philippines focused mainly on building democracy, human rights issues and educational programmes. A total amount of 1.08 million was disbursed.

Assistance for international training programmes amounted to 132,209 during 2004.

Swedish supported technical assistance in 2003 and onwards:

Ongoing Projects:

Micropolis – Solid Waste Management

The Department of the Interior and Local Government (DILG) – National Capital Region, requested assistance for the project "Micropolis", aiming at development at barangay level in the areas of environmental and fiscal administration. The project aims to contribute to sound environmental conditions and improved provision of basic services in urban centres through good local governance. It is expected that through this project, at least 25 barangays in Metro Manila shall have increased capabilities in environmental and fiscal management and financial administration.

The Solid Waste Management part began in mid-2003 and is planned to finish early 2005. Sida's total contribution amounts to 330,524.

Environmental Management System (EMS) for the Department of Environment and Natural Resources (DENR)

The project intends to assist and to provide the Department of Environment and Natural Resources with expertise on Environmental Management System in order to install a platform for ISO 14000, primarily through the conduct of seminars and workshops as well as hands-on training of the DENR EMS working group. Began in November 2003, the project will be completed in 2005 with Sida's total contribution amounting to 187,297.

GIS Cookbook for Local Government Units (LGUs)

This project is in support of improving and facilitating the preparation of land use plans with the view of improving the environment and standard living of the community. Ultimately, the project aims to assist local government units by way of the development of a "GIS Cookbook for LGUs" as part of the ten volume guidelines and standards of the Housing and Land Use Regulatory Board (HLURB). The HLURB, the partner agency, is currently preparing for the tendering of this project with Sida's total contribution amounting to 330,524.

Capacity building and skills upgrading for the Commission on Human Rights

A first visit by the Swedish Barnombudsmannen took place in December 2004 to build up a three year institutional co-operation between the Philippines' Commission on Human Rights and the Swedish Children's Ombudsman.

Projects that were completed during 2004:

Environmental Management, Phase 3B, Development Bank of the Philippines (DBP)

Started in 1991, the project aims to train environmental agencies and to develop a system of environmental management plans, self-monitoring and self-regulation among six industry sub-sectors (cement, pulp & paper, textile, semi-conductor, stone craft and ship repair). The present phase is the last one and aims at institutionalisation of the environmental management project among industry associations and environmental authorities. Promotion of investments in environmental protection technologies with emphasis on pollution prevention and mobilizing of resources for environmental credit is another goal. In addition, participatory planning and formulation of environmental policies and regulations among concerned agencies and stakeholders is being promoted. Sida's contribution under this program during 2002-2004 amounts to approximately 936,484.

Solid Waste Management System and Sanitary Landfill – Surigao City, Northern Mindano

Surigao City requested financing for a Feasibility Study of a Solid Waste Management System and Sanitary Landfill. Among the objectives are: removing of the health and environmental negative impact of the current dumping of waste, assessing the feasibility of sanitary landfill, improving the social conditions of the scavengers with focus on women, improving the management of waste, including sorting and recycling possibilities. The project began in mid-2003 with Sida's total contribution of - 330,524. A second phase of the project is under preparation (see below).

Pipeline Projects

Consolidating Associations of Local Authorities -The project aims to strengthen democracy through building associative capacity among associations of local governments with the Department of Interior and Local Government - Local Government Academy as a local partner.

Detailed engineering study of the Suriago city waste treatment facility - The project is a continuation of the feasibility study completed in March 2004 with the Office of the Surigao City Mayor as a local partner.

Establishment of Satellite Statistical Information Centres - The project aims to improve data generation on key indicators focusing on poverty, gender and development indicators, to enable LGUs to have access to local statistical information with the National Statistics and Coordination Board as the local partner.

Bauang Municipal Environment Protection and Solid Waste Management.

A solid waste management study with the municipality of Bauang as a local partner.

Other projects include the comprehensive local government unit coastal area management project and -Master Plan Development for resettlement sites.:

UNITED KINGDOM

The UK and the Philippines enjoy a close and substantive bilateral relationship in several key areas of common concern including counter-terrorism, international crime, disaster planning, human rights, the environment, development, conflict prevention and peace building.

In support of the relief and reconstruction efforts following the series of devastating typhoons that hit the country in November and December 2004, the British Government provided approximately 575,000 in assistance through the International Red Cross, the UN Flash Appeal and Oxfam.

The British Government is contributing grant aid funding during 2002-2007 to the Philippine Government National Roads-Bridge Replacement Project. The project improves routes passing through poor, rural areas of the Philippines, particularly in the Visayas and Mindanao.

The British Government continues to attach a high priority to its co-operation with the Philippines on combating terrorism. Through the Global Opportunities Fund for Counter Terrorism the British Embassy is running a Police Capacity Building Project. The two-year approximately 465,000 project aims to improve the investigative capacity of both the PNP and NBI. We are doing this through enabling key senior Philippine National Police officers to attend courses at the UK Police Staff College. In addition, a UK Police Advisor is delivering courses for Senior Investigating Officers and Middle Ranking Detectives, as well as training on hostage negotiation and interview techniques to members of the PNP.

In 2004, the UK continued to work closely with the Philippine Center on Transnational Crime and ten other key Government agencies in a programme of Crisis Management training and support. The 718,00

programme, which began in 2002, aims to strengthen the Philippine Government's resilience to crises, especially those arising from terrorism.

Though our Defence Assistance and Training, the British Embassy also undertook Defence Diplomacy, Economic Exclusion Zone training and in-theatre skills transfer in association with British industry.

The British Embassy, through the Global Opportunities Fund for Engaging with the Islamic World Programme, is supporting capacity building for Local Poverty Reduction Action Teams (LPRAT) in the Autonomous Region of Muslim Mindanao (ARMM). The approximately 577,000 project, running from July 2004 to August 2007, aims to contribute to addressing minimum basic needs of the municipalities in four provinces in ARMM by strengthening local governance. The main project partners include the Centre for Local and Regional Governance at the University of the Philippines, the Local Government Academy of the Department of Interior and Local Government, the ARMM Regional Government, and British Council.

As part of the UK Government's international commitment to the promotion of human rights we are currently funding a number of projects under the Global Opportunities Fund Human Rights, Good Governance and Democracy programme and the Drugs and Crime Fund. Projects include the forensic applications of DNA analysis, regional workshops on the prevention of torture and the prevention and protection of children from abuse and sexual exploitation. Total project cost is approximately - 187,000.

In support of the Philippine Government efforts to promote renewable energy and energy efficiency, and through the Global Opportunities Fund for Climate Change and Energy, the British Embassy is running three projects totalling approximately 259,000. These include innovative financing for energy efficiency, production of energy through use of biomass and piloting the use of bio-energy systems for rural development.

The British Embassy runs an approximately 288,000 development programme for small projects with local and international NGOs and recently, with Local Government Units that contribute to the Millennium Development Goals, particularly poverty alleviation and sustainable development. Projects are largely focussed on livelihood development, health, non-formal education for children and adults, women and child welfare, and community managed environmental projects.

In 2004, the British Embassy, in co-operation with the British Council, sponsored 10 full post-graduate scholarships to British universities for Filipinos under the Chevening Scholarship Scheme. These scholarships target promising young Filipinos with the potential to be future leaders. The Scheme aims to forge closer links between the UK

and the Philippines while developing the potential of talented Filipinos.

The British Council runs a wide range of programmes in Education, the Arts and Governance and Society designed to promote closer mutual understanding between the Philippines and the UK. The British Council's Higher Education Links Scheme facilitates links between higher education institutions in the UK and the Philippines, by enhancing research and training capacity. The British Council is now also managing the international consultancy inputs to two European Union-funded projects on Corruption Prevention and Access to Justice for Women and Children.



Total EU Commitments for the Philippines in

	Austria ¹	Belgium ²	Czech Rep	Finland	France	Germany	Italy	Netherlands	Portugal	Spain	Sweden ⁸	UK	TOTAL
GRANTS:													
Development Co-operation		2.13	0.50	0.26	22.5	11.36 ⁴		4.81		4.2		1.02 ⁹	
Economic / Commercial Co-operation					0.36					0.03		0.40	
Cultural Co-operation										0.29		0.38 ¹⁰	
Scholarships		2.50								2.90		0.37	
Defence					0.12		1.10 ⁶		0.058	0.26	2.86	1.79 ¹¹	
NGOs		4.63		0.26	22.98	11.36	1.10	4.81	0.06	7.68	2.86	4.59	60.83
Others			0.50										
Grants Total	25.93	6.3 ³					26.2 ⁷			20.0			
LOANS:													
Development Co-operation	25.93	6.30				68.03 ⁵				20.0			52.23
Economic/Commercial Co-operation	25.93	10.926		0.26	22.98	79.50	27.3	4.81	0.06	27.677	2.86	4.59	

¹ Soft loans

² Twenty-five scholarships were awarded in 2004, but exact figures are not available as of printing.

³ No new commitments for grants in 2004, yet commitments made in and prior to 2003 comes to the period until 2007 for development co-operation programmes and NGO support, and until 2008 for University co-operation.

⁴ Covering the period 2003-2004 and including € 0.36 million reprogrammed funds.

⁵ Covering the period 2003-2004 and including € 52.53 million reprogrammed funds.

⁶ The Government of Italy has granted € 1 million as voluntary contribution for the Philippines' part in the first phase of the "UNICEF East Asia Regional Project against abuse, exploitation and trafficking of children - 2002-2004"

The Government of Italy has also allocated € 100,000 from the Bilateral Emergency Fund to UNICEF in the Philippines as a response to the humanitarian crises caused by the floods that hit Aurora, Quezon in last quarter of 2004.

⁷ Loan granted in November 2003 for the Agrarian Reform Community Development Support Project in Mindanao, entering into force in August 2004.

⁸ Of the total amount, € 132,209 was for assistance for international training programmes; € 1.85 million was disbursed as grants while another € 641,547 was funding available for ongoing technical assistance improving technologies; another € 1.08 million was disbursed through NGOs for programmes/

Summary of EC Development Project Budgets in 2004 (All amounts in €)

BILATERAL PROGRAMMES	Total	Counterpart Contribution	EC Contribution	Percentage EC Grant	Expenditure EC Grant Dec 2004
BILATERAL PROGRAMMES (See Annex B)					
BILATERAL PROGRAMMES (See Annex B)					
CECAP 2	27.50	4.50	23.00		21.86
ERP-CASCADE	24.50	11.0	13.50		12.21
UDP	48.65	30.35	18.30		11.61
STARCM	23.32	4.90	18.42		6.21
Sub-Total Rural Development	123.97	50.75	73.22	59%	51.88
ENVIRONMENT					
PTFPP	20.80	4.80	16.0		15.17
Sub- Total Environment	20.80	4.80	16.0	77%	15.17
GOVERNANCE					
IMPROVING GOVERNANCE TO REDUCE POVERTY: Access to Justice for the poor	3.47	0.74	2.73		
IMPROVING GOVERNANCE TO REDUCE POVERTY: Corruption Prevention	3.49	0.59	2.90		
BORDER MANAGEMENT	5.84	0.94	4.90		
COUNTER TERRORISM: ANTI-MONEY LAUNDERING	1.07	0.11	0.96		
Sub-total Governance	13.87	2.38	11.49	83%	
ECONOMIC					
SMALL PROJECT FACILITY	3.87	0.87	3.00		0.03
TRTA	3.92	0.42	3.50		
Sub-total Economic	7.79	1.29	6.50	83%	0.03
TOTAL BILATERAL PROGRAMMES	166.43	59.22	107.21	64%	67.08
REGIONAL ENVIRONMENT PROGRAMMES (See Annex B)					
ARCBC	11.52	2.10	9.42	82%	9.11
ASIA WIDE PROGRAMMES (See Annex B)					
	7.96	3.60	4.36	55%	1.51
HORIZONTAL AND THEMATIC BUDGET LINES (See Annex C)					
	51.71	15.96	35.75	69%	
ECHO FINANCED PROJECTS (See Annex D)					
	1.92	0.00	1.92	100%	
GRAND TOTAL	239.54	80.88	158.67	66%	

Details of EC Development Project Budgets (All amounts in € million)

	Starting Date	Total Cost	Counterpart Contribution	EC Contribution	Percentage EC Grant
BILATERAL PROGRAMMES (See Annex B)					
RURAL DEVELOPMENT					
CECAP 2	1996	27.5	4.50	23.00	84%
ERP-CASCADE	1997	24.50	11.00	13.50	55%
UDP	1998	48.65	30.35	18.30	38%
STARCM	2000	23.32	4.90	18.42	79%
Sub-Total Rural Development		123.97	50.75	73.22	59%
ENVIRONMENT					
PTFPP	1995	20.80	4.80	16.00	77%
Sub- Total Environment		20.80	4.80	16.00	77%
GOVERNANCE					
IMPROVING GOVERNANCE: Access to Justice for the poor	2004	3.47	0.74	2.73	79%
IMPROVING GOVERNANCE: Corruption Prevention	2004	3.49	0.59	2.90	83%
BORDER MANAGEMENT	-	5.84	0.94	4.90	84%
COUNTER TERRORISM: Anti-Money Laundering	-	1.07	0.11	0.96	90%
Sub-total Governance		13.87	2.38	11.49	83%
ECONOMIC					
SMALL PROJECT FACILITY	2003	3.87	0.87	3.00	78%
TRTA	-	3.92	0.42	3.50	89%
Sub-total Economic		7.79	1.29	6.50	83%
TOTAL BILATERAL PROGRAMMES		166.43	59.22	107.21	64%
REGIONAL ENVIRONMENT PROGRAMMES (See Annex B)					
ARCBC	1997	11.52	2.10	9.42	82%
TOTAL REGIONAL ENVIRONMENT		11.52			
ASIA WIDE PROGRAMMES (See Annex B)					
AUNP: ENSPADS					
AUNP: Maritime	2003	0.27	0.07	0.20	74%
ASIA IT&C : ITCAN	2002	0.25	0.06	0.19	76%
ASIA IT&C : IML	2002	0.40	0.20	0.20	50%
ASIA IT&C : Qu4Rad	2003	1.02	0.76	0.26	25%
ASIA IT&C : CEIE	2003	0.47	0.27	0.20	43%
ASIA IT & C: comqual	2003	0.82	0.42	0.40	49%
ASIA IT & C: learning bridges	2004	0.69	0.29	0.40	58%
ASIA IT & C: geotech	2004	0.18	0.07	0.11	61%
ASIA LINK: IMAMIS	2004	0.66	0.26	0.40	61%
ASIA LINK: curriculum devt	2004	0.44	0.15	0.29	66%
ASIA LINK: Devt of core competencies	2002	0.41	0.11	0.30	73%
ASIA LINK: Strengthening of Inst for Agroforestry and Watershed	2004	0.39	0.10	0.29	74%
ASIA LINK: Asian Euro Master's Degree	2003	0.40	0.10	0.30	75%
ASIA INVEST: ISMAT	2002	0.35	0.11	0.24	69%
ASIA INVEST: Building local capacity	2004	0.63	0.43	0.20	32%
ASIA INVEST: Alliance support to Cebu	2004	0.16	0.04	0.12	75%
ASIA INVEST:Asia Enterprise	2004	0.19	0.05	0.14	74%
	2003	0.23	0.11	0.12	52%
TOTAL ASIA WIDE PROGRAMMES		7.96	3.60	4.36	55%

Details of EC Development Project Budgets (All amounts in € million)

	Starting Date	Total Cost	Counterpart Contribution	EC Contribution	Percentage EC Grant
HORIZONTAL AND THEMATIC BUDGET LINES (See Annex C)					
Environment and Tropical Forest					
SPARK	2003	2.29	1.15	1.14	50%
AFN	2001	2.47	0.49	1.98	80%
Haribon Foundation	2001	1.59	0.32	1.27	80%
Soil and Water Conservation Fdtn	2003	0.91	0.26	0.65	71%
Care-Osterreich	1999	1.14	0.16	0.98	86%
EC UNDP SGP PTF	1999	15.13	0.00	15.13	100%
Sub-total Environment and Tropical Forests		23.53	2.38	21.15	90%
Human Rights					
PHILRIGHTS	2002	0.30	0.00	0.30	100%
Univ of the Phils DNA Laboratory/UP Fdtn	2001	0.46	0.16	0.30	65%
Sub-total Human Rights		0.76	0.16	0.60	79%
Reproductive Health					
PHANSUP	2002	1.10	0.11	0.99	90%
Sub-total Reproductive Health		1.10	0.11	0.99	90%
Aid to Uprooted People					
TOSCADAR					
War affected families in Lanao	2000	1.19	0.29	0.90	76%
Consolidation Integ Process of IDP farmers	2002	0.88	0.08	0.80	91%
Support to the socio-economic integration	2001	1.40	0.20	1.20	86%
Support to the consolidation of the local capa	2002	1.07	0.11	0.96	90%
Support and rehabilitating IDPs Southern PH	2002	0.67	0.07	0.60	90%
Sub-total Aid to Uprooted People	2003	13.50*	10.50	3.00	22%
		18.71	11.25	7.46	40%
Decentralised cooperation					
Strengthening of democratic processes					
Sub-total Decentralised cooperation	2003	1.07	0.31	0.76	71%
		1.07	0.31	0.76	71%
European Co-Financed Projects					
Projet D'appui aux familles en grandes					
Capacity building program for civil society	2002	1.08	0.27	0.81	75%
Fair-trade assistance	2003	0.81	0.20	0.61	75%
Professional training for marginalized youth	2002	1.02	0.25	0.77	75%
Expansion of Quality Technical Educ in Tarlac	2002	1.40	0.35	1.05	75%
Facilitating Justice	2003	0.49	0.13	0.36	73%
cadjijay	2002	0.55	0.14	0.41	75%
Establishment of Market driven tech	2000	0.45	0.23	0.22	49%
Sub-total European Co-Financed Projects	2004	0.74	0.18	0.56	76%
		6.54	1.75	4.79	73%
TOTAL HORIZONTAL AND THEMATIC BUDGET LINES					
		51.71	15.96	35.75	69%
ECHO FINANCED PROJECTS (See Annex D)					
ensuring humanitarian protection					
support to returnees	2004	0.26	0.00	0.26	100%
community based actions to link relief	2004	0.25	0.00	0.25	100%
children affected by conflict	2004	0.20	0.00	0.20	100%
emergency public health	2004	0.14	0.00	0.14	100%
support en telecomm	2004	0.19	0.00	0.19	100%
emergency assistance to the typhoons	2004	0.30	0.00	0.30	100%
support for emergency food supplies	2004	0.39	0.00	0.39	100%
	2004	0.19	0.00	0.19	100%
TOTAL ECHO FINANCED PROJECTS					
		1.92	0.00	1.92	100%
GRAND TOTAL					
		239.54	80.88	158.67	66%

* Multi-donors programme

Ongoing EC-Supported Development Projects in 2004 (All amounts in €)

BILATERAL PROGRAMMES	Total	Counterpart	EC Grant
<u>Rural Development Programs</u>			
Central Cordillera Agricultural Programme -- Phase II (CECAP 2) 1996-2004 Facilitates technical advice, training, institutional strengthening, and savings mobilisation to support the empowerment of the rural communities in the Central Cordilleras.	27.50	4.50	23.00
Economic Self-Reliance Programme -- Caraballo and Southern Cordillera Agricultural Development (ERP-CASCADE) 1997 - 2004 Improves living conditions of highland rural people through the introduction of appropriate upland technologies, development of financial systems and infrastructure in the provinces of Nueva Viscaya, Benguet, and Nueva Ecija.	24.50	11.0	13.50
Upland Development Programme in Southern Mindanao (UDP) 1998-2005 Improves living conditions of upland communities and facilitates increased rural output, market outlets, and sustainable resources management in the provinces of Davao del Sur, Davao Oriental, Compostela Valley, South Cotabato, and Sarangani.	48.65	30.35	18.30
Support to Agrarian Reform Communities in Central Mindanao (STARCM) 2001-2008 Alleviates rural poverty and economic disparities in the four provinces of Sultan Kudarat, North Cotabato, Lanao del Norte and Lanao del Sur.	23.32	4.90	18.42
Sub-total Rural Development			73.22
<u>Environment Programme</u>			
Palawan Tropical Forestry Protection Programme (PTFPP) 1995-2002 Watershed-based development programme contributing to the preservation of forests in the province of Palawan emphasising community-based forest management and environmental education.	20.80	4.80	16.0
Subtotal Environment			16.0
<u>Good Governance</u>			
Improving Governance to Reduce Poverty: Access to Justice for the Poor To improve access to justice for the poor by increasing their knowledge about basic rights and the judicial system, and through the creation of an enabling, supportive environment to this effect within the Barangay, Justice System (BJS), and the Police	3.47	0.74	2.73
Improving Governance to Reduce Poverty: Corruption Prevention To prevent corruption by building the capacity of the Office of the Ombudsman (OMB), and certain civil society organisational and government agencies, and by improving co-operation both within government, and between government agencies and civil society.	3.49	0.59	2.90
Border Management To contribute to the efforts of the Government of the Republic of the Philippines (GRP) to more professionally manage the national migration in accord with international norms and protocols through strengthened and enhanced border security and management in the Philippines.	5.84	0.94	4.90
Counter Terrorism: Anti-Money Laundering To contribute to the efforts of the Government to prevent and reduce money laundering by strengthening the institutional capacity of the Philippines' Financial Intelligence Unit (Anti-Money Laundering Council/AMLC) and by enhancing the co-operation of the Supervising Authorities, Covered Institutions (financial sector), Judicial and Law Enforcement Institutions with the AMLC in the fulfillment of their obligations within the Philippine anti-money laundering system	1.07	0.11	0.96
Sub-total Governance			11.49
<u>Economic</u>			
Small Project Facility	3.00	0.00	3.00
Trade Related Technical Assistance Project (TRTA)	3.92	0.42	3.50
Sub-total Economic			6.50
TOTAL BILATERAL PROGRAMME			107.21

Ongoing EC-Supported Development Projects in 2004 (All amounts in €)

REGIONAL ENVIRONMENT PROGRAMME	Total	Counterpart	EC Grant
ASEAN REGIONAL CENTRE FOR BIODIVERSITY CONSERVATION (ARCBC) 1999-2004 Establishes a regional network for biodiversity in the ASEAN countries through the creation of the Philippines-based ASEAN Regional Centre for Biodiversity Conservation	11.52	2.10	9.42
TOTAL REGIONAL ENVIRONMENT			9.42
ASIA WIDE PROGRAMMES			
AUNP: Expanding Expertise Network for generating & sharing knowledge related to Spatial Planning & Decision Support (ENSPADS)	0.27	0.07	0.20
AUNP: Improving the Quality of Maritime Education in Europe and the Asia Pacific	0.25	0.06	0.19
ASIA IT&C : ITCAN - Information and Communication Technology for Capacity Building for Asia Network	0.40	0.20	0.20
ASIA IT&C : IML - Development of the INGRIN Multimedia Lexicon of Graphics & Media Terms	1.02	0.76	0.26
ASIA IT&C : Qu4Rad - Quality Network for Rational Drug Management in Primary Health Care in Asia and Europe	0.47	0.27	0.20
ASIA IT&C : CEIE- Cultural and Environment Information Exchange	0.82	0.42	0.40
ASIA IT & C: Comqual	0.69	0.29	0.40
ASIA IT & C: Learning bridges	0.18	0.07	0.11
ASIA IT & C: Geotech Censophil	0.66	0.26	0.40
ASIA LINK: IMAMIS (International Master of Applied Mathematic and Information Sciences)	0.44	0.15	0.29
ASIA LINK: Curriculum development for Urban Planning and Management with a Special Emphasis on Poverty Alleviation in the Philippines	0.41	0.11	0.30
ASIA LINK: Devt of core competencies	0.39	0.10	0.29
ASIA LINK: Strengthening of Institution for Agroforestry and Watershed Management in the Philippines	0.40	0.10	0.30
ASIA LINK: Implementation and Realisation of an Asian Euro Master's Degree and Continuing Training sessions in Food Science and Technology	0.35	0.11	0.24
ASIA INVEST: ISMAT- Technical Assistance Investing in sustainable Marine aquarium trade	0.63	0.43	0.20
ASIA INVEST: Building local capacity	0.16	0.04	0.12
ASIA INVEST: Alliance support to Cebu	0.19	0.05	0.14
ASIA INVEST:Asia Enterprise	0.23	0.11	0.12
TOTAL ASIA WIDE PROGRAMMES			4.36

Ongoing Projects for Horizontal and Thematic Budget Lines

PROJECT TITLE	Implementing NGO	EC Contribution €
<u>ENVIRONMENT AND TROPICAL FORESTS</u>		
SPARK: Sharing and Promotion of awareness and regional knowledge – Promoting community-based approaches to natural resources management in Indonesia, Philippines and Thailand	Volunteers Service Overseas - UK	1,142,544
Community Forest Support Project 2000 for South East Asia	Asia Forest Network (AFN)	1,979,230
Integrating forest conservation with local governance in the Philippines	HARIBON Foundation	1,268,014
Rajah Sikatuna Protected Landscape Biodiversity Conservation and Community Poverty Reduction Project	Soil and Water Conservation Foundation, Inc. (SWCF)	652,811
Mt. Isarog Integrated Conservation and Development Project	CARE Osterreich	978,547
EC UNDP Small Grant Programme for Operations to Promote Tropical Forests (SGP-PTF 2000-2007)	UNDP	15,132,500
	Sub-total	21,153,646
<u>HUMAN RIGHTS/EIDHR</u>		
Strengthening the abolition of the death penalty campaign by information drive	PHILRIGHTS	300,000
Research, training and extension services on forensic DNA analysis	University of the Philippines DNA Laboratory	305,593
	Sub-total	605,593
<u>REPRODUCTIVE AND SEXUAL HEALTH AND RIGHTS</u>		
EC Support for accelerating community-based responses to reproductive and sexual health and HIV/AIDS and STIs concerns of Philippine youth	PHANSUP	999,399
<u>AID TO UPROOTED PEOPLE</u>		
Technical and Organisation Assistance for Civil Society Action of the Displaced and at risk in Mindanao (TOSCADOR)	VSO, UK	900,000
Assistance to Improve the Living Conditions for the War-affected Families in Lanao del Sur and Maguindanao	Accion Contra el Hambre	800,000
Consolidation Integration Process of IDP farmers in Lanao del Norte Mindanao	Movimondo, Italy	1,200,000
Support to the socio-economic integration process of IDPs in the municipalities of Piagapo, Kapai, Marantao, Marawi in Lanao del Sur	Accion Contra el Hambre, ACH, España	960,000
Support to the consolidation of the local capabilities of the population in conflict-affected in Lanao del Sur and Maguindanao	Accion Contra el Hambre, ACH, España	600,000
Support and rehabilitating IDPs and Communities in Southern Philippines	UNDP	3,000,000
	Sub-total	7,460,000
<u>DECENTRALISED COOPERATION</u>		
Strengthening of democratic processes in local governance and the promotion of sustainable development for marginalized sectors in	CAPPSIAD; Christian Aid - UK Partner	759,871

Ongoing Projects for Horizontal and Thematic Budget Lines

PROJECT TITLE	Implementing NGO	EC Contribution €
EUROPEAN NGO CO-FINANCING		
Projet D'appui aux familles en grandes difficultés dans les bidonvilles de Manille	INTERAIDE-ASME (French NGO)	809,333
Capacity-building program for civil society and local government units to prevent child and woman trafficking for commercial sexual exploitation in the Visayas and Mindanao regions of the Philippines	Karl Kubel Stiftung (KKS)	610,612
Fair Trade Assistance to Community Enterprises, Philippines	TraidCraft Exchange (UK NGO)	766,497
Professional training for marginalised youth in the Southern Philippines with job-placement programs and establishment of a polytechnic system-Philippines	Misereor-Salesians of Don Bosco	1,047,217
Expansion of quality technical education in Tarlac through the Institutional Strengthening of Tarlac Training Center-Phase 1	Hanns Seidel Foundation	363,524
Facilitating justice for children in conflict with the law	Save the Children Fund - UK	410,668
Candijay Family-based integrated development project	Karl Kubel Stiftung (KKS)	223,979
Establishment of market-driven and technology-based courses and further training for the information sector in the National Capital Region, Philippines	Hanns Seidel Foundation	555,598
	Sub-total	4,787,428
	GRAND TOTAL	35,765,937

ECHO Financed Projects

PROJECT TITLE	Implementing NGO	EC Contribution €
<u>ECHO FINANCED PROJECTS</u>		
Ensuring humanitarian protection and direct humanitarian support in 3 municipalities in Central Mindanao	Oxfam GB	260,000
Support to the returnee's population affected by the 2003 conflict in Liguasan Marsh.	Accion Contra el Hambre	250,000
Community-based actions to link relief and rehabilitation by strengthening local governance in war affected areas	Movimondo	200,000
Study for a strategy development on children adversely affected by armed conflict in the Philippines	UNICEF	140,000
Emergency public health response for typhoon affected populations in Infanta and General Nakar Municipalities, Quezon Province	Oxfam, GB	190,000
Support en telecommunication satellitaires pour des operations d'urgence humanitaire	Telecoms Sans Frontiers	300,174
Emergency Assistance to the Victim of the Typhoons in the Philippines	Cruz Roja Espanola, Es	390,000
Support for Emergency Food supplies and Farm Inputs in the Aurora District	Deutsche Welthungerhilfe, GAA	189,208
	TOTAL	1,919,382