

## Revised Action Fiche N° 2 - Philippines

### 1. IDENTIFICATION

Title/Number	Mindanao Trust Fund-Reconstruction and Development Programme MTF-RDP – 2009/211762 & 2010/241861		
Total cost	Total cost: €43 million EU contribution: €4 million Budget 2009: €2 million Budget 2010: €2 million Other contributions: €39 million		
Aid method / Method of implementation	Project approach – joint management with the World Bank		
DAC-code	73010	Sector	Reconstruction relief and development

### 2. RATIONALE

#### 2.1. Sector context

The Philippines is a lower middle income country (US\$ 1,300 per capita in 2005) beset by extreme inequality of wealth distribution. Furthermore, poverty appears to be increasing. According to the 2006 official poverty statistics the incidence of poor families in the Philippines increased by 2.5 percentage points to 26.9 % from 24.4 in 2003. The total number of poor Filipinos reached 27.6 million in 2006, 16% more than the 23.8 million estimated in 2003. There are, moreover, geographical disparities. While 6 of the 10 poorest provinces are situated in Mindanao, the Autonomous Region of Muslim Mindanao (ARMM)<sup>1</sup> recorded a particularly high poverty incidence of 55.3% in 2006. These ongoing high levels of poverty can largely be attributed to conflict and instability in the region.

Mindanao has a multi-ethnic society, including 'Moro' Muslims, Christians - mainly descendants of settlers from the Visayas and elsewhere - and indigenous people or 'Lumads'. Muslims make up 5-7% of the total in the Philippines and approximately 21% of Mindanao's population. While fighting between Moro and Christian communities dates back to the 16<sup>th</sup> century, the current conflict, which has resulted in the loss of 120 000 lives and the displacement of 2 million people, was triggered by the massive influx of settlers from other parts of the Philippines that was encouraged under the Marcos regime in the 1960s, as well as large-scale logging and mining activities that also date from that period. The Moro National Liberation Front (MNLF), which took up arms for an independent Muslim state in Mindanao<sup>2</sup>, was created very much as a reaction to this. The MNLF signed a ceasefire agreement with the Government of the Philippines in 1976, but a low-intensity conflict continued with the emergence of a splinter group, the Moro Islamic Liberation Front (MILF), in 1984 advocating for the creation of an Islamic state in Mindanao.

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<sup>1</sup> Republic Act No. 6734 of 1988 or better known as the Organic Act of ARMM which provided for the creation of an autonomous region for the Muslims of Mindanao in compliance with the Tripoli Agreement, consisting of 5 provinces and 2 cities with Muslim majority.

<sup>2</sup> The MNLF introduced the term Bangsamoro (Bangsa=Nation) as an identity label to highlight that Mindanao Muslims have their own unique culture, identity, political structure, history and sense of nationhood.

There were further major armed confrontations under subsequent administrations. President Estrada's "all-out-war" on the MILF, declared in 1998, resulted in the killing of over 1 700 and the displacement of more than 930 000 civilians, while another major confrontation between the MILF and the military in 2003 resulted in at least 411 000 internally displaced persons (IDPs). A functional ceasefire agreement was reached in 2003, under which a Joint Ceasefire Coordinating Committee, consisting mainly of members of the Organisation of Islamic Countries (OIC), was tasked to monitor the agreement. Armed confrontation decreased substantially from almost 800 incidents in 2003 to less than 30 in 2005.

There then followed a period of increasing hope as exploratory Government of the Philippines-MILF peace talks continued under the auspices of the Malaysian Government, achieving a near breakthrough in August 2008 with the drafting of a 'Memorandum of Agreement on Ancestral Domain' (MOA-AD). The MTF-RDP was initiated in this environment, at a time when there were good signs that a comprehensive peace agreement would be signed. However, on 14 October 2008 the Supreme Court of the Philippines declared the MOA-AD to be unconstitutional. This triggered a renewed upsurge of fighting that has left over 200 people dead and resulted in prolonged large scale displacement with 600,000 displaced persons at its peak. In September 2009, the Government declared a suspension of offensive military operations, which was reciprocated by the MILF with a suspension of military activities. Peace negotiations between the Government and MILF resumed in December 2009 in Kuala Lumpur.

Against this background the restoration of peace and security in Muslim Mindanao continues to be a main priority. The multi-donor Mindanao Trust Fund-Reconstruction and Development Programme (MTF-RDP), which was established at the request of Government of the Philippines, aims to build peace through community owned projects that focus on inclusion, good governance and sustainability. The EU's continued support for the MTF-RDP is a strong reflection of its continued political commitment to the peace process in Mindanao. This corresponds to the priority area set out in the Strategy Paper 2007-2013 of supporting the restoration of peace and security in Mindanao through poverty reduction and development.

## **2.2. Lessons learnt**

Preparation of the MTF-RDP is based on the Joint Needs Assessment (JNA) undertaken by a team of local and international consultants from August 2004 until December 2005, with EU participation. MTF-RDP was formally launched in March 2006 with initial contributions from Australia, Canada, New Zealand and the World Bank. Sweden joined in December 2006.

Over the past 4 years of implementation and in the absence of a signed peace agreement, MTF-RDP activities have focused mainly on capacity-building of the Bangsamoro Development Agency<sup>3</sup> (BDA) and its local partners, specifically the 'peoples' organisations' (POs) established by communities and local government units (LGUs). By the end of December 2009, the MTF-RDP had successfully implemented and completed 91 small-scale community sub-projects such as potable water systems, community livelihood centres, tire paths, solar driers, warehouses, etc. spread over 62 barangays in 53 municipalities throughout the Mindanao. The successful implementation and completion of these various small-scale community sub-projects has contributed in bringing about peace, reconciliation and social cohesion in the conflict-affected and vulnerable areas of Mindanao.

However, this coverage only represents 2% of the 3,833 barangays in the 150 municipalities identified as conflict-affected in the JNA.

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<sup>3</sup> BDA is the main counterpart of the MTF-RDP at the local level. It is the development arm of the MILF established in accordance with the international humanitarian law and rehabilitation aspects of the Joint Statement of 22 June 2001 of the Government of the Republic of the Philippines and the MILF which states that BDA's function is to determine, lead and manage relief, rehabilitation and development projects in areas affected by the war.

The results of the social and impact assessments of MTF-RDP have been overwhelmingly positive and showed that MTF-RDP has made a real difference in communities and its members' lives, in both tangible and intangible ways. The needs of the urban IDPs are also being addressed through the provision of livelihood skills.

The final report of the results-oriented monitoring (ROM) mission from March 9-12, 2009 likewise produced very positive findings. With regard to efficiency of implementation, despite some delays linked to the stalled peace talks and the resurgence of violence in some areas, much has been accomplished. There is a need however to shift the focus of program reporting from input, activities and outputs to the more strategic level of outcomes and objectives. Impact, in terms of peace building, governance and social development will only begin to become apparent when the program increases its scope and coverage through a scaling up of the system of community-level participation in order to achieve effective local governance as a basis for service delivery. The major recommendation, therefore, which is very much in line with what has emerged from recent discussions with the other major donors contributing to the trust fund, is for the program to continue both to widen the scope of its assistance to include more communities, while also deepening its engagement through supporting a scaling up of activities in communities where initial small-scale activities have been successful.

A second ROM Mission was undertaken from March 8-11, 2010. The ROM report also commented on the slowness of the movement towards scaling up, the weakness of the results framework, and the need for the programme to learn from the experience of other successful peace-building programmes. The mission also suggested the need to improvement the management of the programme, including the communication channels between the World Bank and its stakeholders.

### **2.3. Complementary actions**

Mindanao is a priority area for most major donors, given its worsening poverty, peace and security issues and at the same time, its agricultural growth potentials. There is a wide range of complementary actions with the overarching goals of poverty reduction and conflict prevention, but with varying strategies and outcomes.

EU support for long-term development of Mindanao (some €93 m over the past 2 decades, not including assistance from individual EU Member States), has included work in rural development and the environment, on agricultural education and agrarian reform. Most recently, focus has been on the health sector and on support to the MTF-RDP where EU is the largest single donor.

The health sector policy support program of the EU supports the FourMulaOne policy of the Department of Health for strengthening basic health services at the provincial level and building on the work carried out under the Women's Health and Safe Motherhood Project in the 1990s. The total EU grant for this programme is €33 m, of which a total of €8.25 m is allocated for the provinces of Agusan del Sur, North and South Cotabato and Misamis Oriental in Mindanao.

In addition, the Mindanao Health Sector Policy Support Programme with a total allocation of €12 m divided between grant funds for the provinces through a World Bank trust fund and the provision of technical assistance, a supports the health reform in the conflict affected provinces, specifically those in the ARMM (Lanao del Sur, Sulu, Tawi-Tawi, Maguindanao,

Basilan) and Isabela City, Zamboanga Norte, Sur and Sibuguey, Lanao del Norte, Davao Oriental, Sarangani, Sultan Kudarat and Compostela Valley.

In the last quarter of 2008, the EU approved funding for 2 separate actions to address the plight of the civilian victims of the conflict in Mindanao. In response to immediate humanitarian needs, the Commission's Directorate-General for Humanitarian Aid and Civil Protection (DG ECHO) approved funding of €4 m to cover emergency food distribution, drinking water and additional sanitation facilities, non-food relief items, basic shelter assistance, health care and psycho-social support, emergency support to livelihood rehabilitation and protection. Longer term rehabilitation assistance for displaced persons and host communities affected by the conflict in recent years was provided through the (regional) Aid to Uprooted People programme in the amount of €3 m, to be implemented by the UNDP as part of their "Act for Peace" Programme.

Under the Instrument for Stability (IfS), a grant of €1 m was approved in December 2008, to support confidence-building, dialogue and humanitarian protection actions in Mindanao. 3 separate grants have been signed within this total allocation, to be implemented by two international civil-society organisations (Centre for Humanitarian Dialogue, and Non-Violent Peace Force) and one Philippine civil-society organisation (Mindanao People's Caucus) to be implemented over a period of eighteen months, commencing in the first quarter of 2009.

Some parts of Mindanao are also benefiting from the support under the EU's Food Facility Programme. In particular, the action of the World Food Programme in 5 provinces in Mindanao is supporting food for assets activities (food for work and food for training) which will restore small-scale agricultural infrastructure for conflict-affected populations and IDP returnees in poor and food-insecure areas.

#### **2.4. Donor coordination**

The overall forum for dialogue between the Government of the Philippines and donors is the Philippine Development Forum (PDF), of which the Mindanao Working Group (MWG) constitutes one of the major working groups, specifically focused on Mindanao. The MWG is co-chaired by the World Bank and by the Mindanao Development Authority (MinDA), formerly known as the Mindanao Economic Development Council (MEDCo), the government agency responsible for the promotion and coordination of the active participation of all sectors to effect the socio-economic development and peace efforts across Mindanao.

Under the MTF-RDP, an Interim Steering Committee was created composed of key government agencies, local key stakeholders, main donors, including the EC, and the World Bank which provides overall policy guidance and strategic guidance, reviews annual MTF-RDP workplans, provides guidance on coordination with other development projects in conflict-affected areas and coordination between MTF-RDP and other projects/activities funded by these other donors. This Committee is co-chaired by the Office of the Presidential Adviser on the Peace Process, the Bangsamoro Development Agency and the World Bank.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The objectives of MTF-RDP are to assist in the economic and social recovery of the conflict-affected areas in Mindanao and to promote inclusive and effective governance processes.

The 3 specific objectives are as follows:

*Objective 1* (towards attaining social recovery): Conflict-affected populations in Mindanao live in a more peaceful and harmonious environment within their communities and among neighbouring communities.

*Objective 2* (towards attaining economic recovery): Conflict-affected communities in Mindanao gain improved basic services and livelihoods from community-based and regional subprojects.

*Objective 3* (towards promoting inclusive and effective governance): Capable people's organisations, the Bangsamoro Development Agency, local government units, and other local implementing partners plan, manage and implement development activities in a more inclusive, participatory, transparent and accountable manner.

Key government counterparts are: 1) Office of the Presidential Adviser on the Peace Process (OPAPP); and 2) Mindanao Development Authority (MinDA); 3) Bangsamoro Development Agency (BDA); 4) ARMM Regional Government and LGUs; 5) civil society organisations and 5) indigenous peoples.

The MTF, as originally conceived, had two phases:

Phase 1 (prior to the signing of the peace agreement) started its activities in early 2006 with the objective of providing capacity building to foreseen implementing agencies, mainly the BDA.

Phase 2 was supposed to entail the implementation of the full programme through disbursement of block grants to finance sub-projects (e.g. income-generating and livelihood activities, basic infrastructures) in conflict-affected areas. It also includes the provision of technical assistance, the expansion of capacity building and a phased transfer of programme management responsibility to the Bangsamoro entity to be confirmed after the peace agreement.

However, at the most recent Interim Steering Committee meeting (April 2009) it was agreed by major donors and government partners that, although the two phase strategy was appropriate when the prospect for peace was imminent, this was no longer relevant and that upscaling and reorientation should now be considered in the light of increasing poverty in Mindanao and the consequent need to fast track the programme. However, this will not involve a quantum increase to incorporate the original 'block grants' concept, but will be a gradual process with a number of activities and will also be dependent on the resources available under the trust fund.

#### **3.2. Expected results and main activities**

Based on the JNA, the MTF-RDP adopts a holistic multi-purpose approach, implementing a wide range of activities with a mutually enhancing impact on the beneficiary communities.

A combination of a growing number of demand driven multi-sectoral sub-projects and capacity building efforts, accompanied by a range of implementation support and training activities will aim to achieve the following results:

1. Conflict-affected populations in Mindanao live in a more peaceful and harmonious environment within their communities and among neighbouring communities;
2. Improved standards of living of conflict-affected communities in Mindanao following community-based and strategic investments; and

3. Improved capacity of peoples' organisations, local government units, BDA and local implementing partners in planning, managing and implementing development activities in a more inclusive, participatory and accountable manner.

### **3.3. Risks and assumptions**

While the outlook for a major breakthrough in the peace agreement seems bleak in the immediate future, the situation is not as dire as most often reported in Philippine press. The immediate task is to prevent further escalation of the conflict, which is currently confined to well-defined areas with sporadic incidents elsewhere and to preserve the gains already achieved in many areas where MTF-RDP has successfully piloted community-activities.

A breakdown in the peace talks could lead the two sides back to an "all-out war", although many analysts believe that both parties do not have the resources to sustain operations. Through close coordination and political engagement, donors should support the ongoing peace talks and to keep existing ceasefire mechanisms in place.

The main risks continue to hinge on the process of the peace talks in the region. Whereas when the programme was initiated, it was envisaged that a second phase would immediately follow after a "peace settlement", in view of the protracted nature of the peace negotiations it is now the agreed view of all stakeholders that the scope of implementation does not need to be contingent on whether a formal peace settlement is agreed.

### **3.4. Crosscutting Issues**

The following cross-cutting issues have been taken into account in the JNA and MTF-RDP preparation: human rights, Internally Displaced Peoples (IDPs), gender, indigenous people (IPs), environment and land tenure.

IDPs represent the most vulnerable group in the conflict-affected areas as they are already poverty-stricken prior to the occurrence of the conflict. Priority therefore, will be given to the IDPs who have resettled to address their needs and improve their situation.

The MTF-RDP takes into account gender balance at all levels of the Programme, as well as the specific needs and rights of women in the context of armed conflict. This includes their leading role in reconciliation and in ensuring social protection of their families. Moreover, the changing roles of Muslim, Christian and Indigenous Women and children in their respective communities and their specific vulnerabilities will be considered. The 2008 annual report of the MTF-RDP contains gender disaggregated data showing 48% women's participation in people's organisations, although only 3 out of 16 People's Organisations presidents are women.

Concerns of indigenous peoples will be considered through the inclusive participatory planning process at community level which is foreseen by the MTF-RDP. IPs will have the opportunity to develop proposals for sub-projects addressing their specific concerns and make use of the grievance redress arrangements within their barangays.

The Mindanao conflict has strong roots in the question of control over natural resources, especially land, but also mining, timber, oil, gas, and fishing resources. Access to land and resources, with its impact on the environment, has to be tackled as a priority to ensure sustainable peace. Land acquisition based on eminent domain will not be undertaken in the post-conflict context. Thus, projects involving involuntary land acquisition and resettlement will not be eligible for funding.

The MTF-RDP supports livelihood projects and agribusiness programmes that encourage the link between production and predetermined markets foreseen to contribute to a reduction in human pressure on fragile environments, especially in the uplands. The MTF-RDP will also clean up debris left from armed conflict, implement agro-forestry and reforestation actions. The MTF-RDP will use an environment screening procedure that identifies prohibited sub-projects with adverse environment impacts. Mitigation of negative impacts from sub-projects not on the negative list will be addressed through environment impact assessments and through Environment Management Plans (EMP).

The EU, in its capacity as a member of the Steering Committee, will take a vigorous proactive role in ensuring that these cross-cutting issues are addressed.

### **3.5. Stakeholders**

The main stakeholders and target beneficiaries of the MTF-RDP are the communities in 150 Mindanao municipalities identified as conflict-affected areas.<sup>4</sup> Other important stakeholders are various Government of the Philippines agencies at regional, provincial, municipal and barangay levels, the BDA, other concerned implementing agencies, service providers from civil society and the private sector, the various donors contributing to the MTF-RDP and the World Bank as coordinating agent.

## **4. IMPLEMENTATION ISSUES**

### **4.1 Method of implementation**

Joint management through the signature of an Administration Agreement with the World Bank based on the provisions and templates introduced by the Trust Funds and Co-financing Framework Agreement between the European Commission and the World Bank Group signed on 20 March 2009.

The Steering Committee will determine the strategic direction of the Programme, taking into account the existing conditions on the ground, as well as the developing status of the peace talks.

### **4.2 Procurement and grant award procedures**

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

### **4.3 Budget and calendar**

As stated earlier, a base figure of US\$ 50 m (roughly equivalent to €43 m to be consistent with earlier documents since the 2007 Annual Action Programme) is being used to indicate financial requirements (prior to signing of a peace agreement).

The EU contribution for 2009 Annual Action Programme is €2 m from budget 2009 of the European Union and €2 m from the 2010 budget of the European Union.

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<sup>4</sup> JNA defined Conflict-Affected Areas as places where armed conflict between the Government of the Philippines and MILF forces is taking place or had taken place or where there are evacuees and/or displaced families as a result of such conflict. These cover 3,833 barangays in 150 municipalities in 13 provinces of Mindanao

<b>Budget Breakdown (in €)</b>	<b>EU contribution</b>	<b>Other donors contribution</b>	<b>Contracting authority / Paying Authority</b>
1. Joint Management			
1.1 MTF-RDP <sup>5</sup> - Administration Agreement with the World Bank	<b>4 000 000</b>	<b>39 000 000</b>	European Commission
Budget 2009:	2 000 000		
Budget 2010:	2 000 000		
<b>TOTAL</b>	<b>4 000 000</b>	<b>39 000 000</b>	<b>43 000 000</b>

The project operational duration is of 96 months as from the signature of the Administration Agreement.

#### **4.4 Performance monitoring**

The World Bank has an MTF Operations Manual, which contains provisions for performance monitoring. This also includes a detailed Financial Management Manual.

Implementation service providers will provide internal monitoring data on baseline conditions, inputs, outputs, and results to the Project Monitoring Office (PMO). A Monitoring Information System (MIS) is currently being updated by the PMO to furnish comprehensive internal monitoring reports to the Administrator and Interim Steering Committee (SC) on a quarterly basis. These reports will include the aggregate disbursements of block grants and financial progress of the Programme. Consultants may be contracted by the World Bank to undertake studies, reviews and appraisals on specific topics relevant to the Programme.

The EU monitors implementation through its participation at the MTF-RDP Interim Steering Committee meetings, review of the Quarterly and Annual Financial and Physical Progress Reports, inclusion of the MTF-RDP into its annual external ROM exercise and field missions either jointly with other donors or on its own. It has been noted by both the EU and the ROM that the reports submitted by the World Bank so far have not been satisfactory. There has been a lack of clarity in the presentation of results and completed activities, exacerbated by a lack of precision in the terminology used. The World Bank has been requested by the EU to improve the quality of its reports and address the recommendations of the ROM by improving the visibility of outcomes-focused logframe and ensure that it is used systematically to review programme performance both in reporting and in external oversight.

#### **4.5 Evaluation and audit**

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5 Donors contributing to MTF-RDP as of the end of 31 December 2009: Australia: Aus\$ 500 000 (US \$ 369,850); Canada: CND\$ 1 750 000 (US \$1,563, 337); New Zealand: US\$ 199,978; World Bank: US\$1 525 000; Sweden SEK 29, 915, 785 (US \$ 4,276, 981); USAID, €750,000; and EC €2 m (€1m under RRM in April 2007 and €1m under AAP 2007 decided in December 2007).

The MTF Operations Manual envisages internal as well as external auditing. External review and evaluation will be undertaken by an independent Consultant to be contracted by the WB.

The World Bank provides quarterly and annual reports on the progress of activities, and a final report within 6 months of the final disbursement to donors. The World Bank will also provide donors a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole, within 6 months following the end of each Bank fiscal year.

The World Bank will furthermore provide a financial statement audit of the Trust Fund done by external auditors within 6 months following the end of the Bank's fiscal year and following the close of the Trust Fund. The World Bank shall also provide the EU with copies of all financial statements and auditors' reports received by the Bank from the fund recipients.

A full evaluation of the ongoing MTF-RDP is currently being undertaken by the World Bank although various impact assessments were already done in the past few years which have provided positive results.

#### **4.6 Communication and visibility**

The EU and the World Bank have signed a letter of understanding on 2 June 2006 clarifying the visibility provisions of the Trust Funds Framework Agreement. The EU Delegation will ensure active participation in the MTF Interim Steering Committee to influence strategic decisions of the Trust Fund and to monitor that visibility provisions are respected.

The EU Delegation will also ensure appropriate communication activities such as print, electronic media, special events, alongside the traditional media and personal communication techniques, and will be maximised to the fullest to convey both general and specific communication messages (in the contexts of the EU and European Commission) to its intended stakeholders.