

PHILIPPINES



Philippines The U.S. foreign assistance partnership with the Philippines is making progress towards making the Philippines become a more stable, prosperous, and well-governed nation that is no longer a haven for terrorists. U.S. assistance helps the Philippines achieve the following goals: 1) accelerating growth through improved competitiveness; 2) strengthening governance, rule of law and the fight against corruption; 3) investing in people to reduce poverty; and 4) promoting a peaceful and secure Philippines. The Department of State, Department of Defense, and the U.S. Agency for International Development (USAID) will direct about 70 percent of combined resources to conflict-affected areas in the southern Philippines region of Mindanao.

FOREIGN RELATIONS

In its foreign policy, the Philippines cultivates constructive relations with its Asian neighbors, with whom it is linked through membership in the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), and the Asia-Pacific Economic Cooperation (APEC) forum. The Philippines chaired ASEAN from 2006 to 2007, hosting the ASEAN Heads of State Summit and the ASEAN Regional Forum. The Philippines is a member of the UN and some of its specialized agencies, and served a two-year term as a member of the UN Security Council from January 2004-2006, acting as UNSC President in September 2005. Since 1992, the Philippines has been a member of the Non-Aligned Movement. The government is seeking observer status in the Organization of the Islamic Conference (OIC). The Philippines has played a key role in ASEAN in recent years, ratifying the ASEAN Charter in October 2008. The Philippines also values its relations with the countries of the Middle East, in no small part because hundreds of thousands of Filipinos are employed in that region. The welfare of the some four to five million overseas Filipino contract workers is considered to be a pillar of Philippine foreign policy.

The fundamental Philippine attachment to democracy and human rights is also reflected in its foreign policy. Philippine soldiers and police have participated in a number of multilateral civilian police and peacekeeping operations, and a Philippine Army general served as the first commander of the UN Peacekeeping Operation in East Timor. The Philippines presently has peacekeepers deployed in eight UN Peacekeeping Operations worldwide. The Philippines also participated in Operation Iraqi Freedom, deploying some 50 troops to Iraq in 2003. (These troops were subsequently withdrawn in 2004 after the kidnapping of a Filipino overseas worker.) The Philippine Government also has been active in efforts to reduce tensions among rival claimants to the territories and waters of the resource-rich South China Sea.

U.S.-PHILIPPINE RELATIONS

U.S.-Philippine relations are based on shared history and commitment to democratic principles, as well as on economic ties. The historical and cultural links between the Philippines and the United States remain strong. The Philippines modeled its governmental institutions on those of the United States and continues to share a commitment to democracy and human rights. At the most fundamental level of bilateral relations, human links continue to form a strong bridge between the two countries. There are an estimated four million Americans of Philippine ancestry in the United States, and more than 250,000 American citizens in the Philippines.

Until November 1992, pursuant to the 1947 Military Bases Agreement, the United States maintained and operated major facilities at Clark Air Base, Subic Bay Naval Complex, and several small subsidiary

installations in the Philippines. In August 1991, negotiators from the two countries reached agreement on a draft treaty providing for use of Subic Bay Naval Base by U.S. forces for 10 years. The draft treaty did not include use of Clark Air Base, which had been so heavily damaged by the 1991 eruption of Mount Pinatubo that the United States decided to abandon it.

In September 1991, the Philippine Senate rejected the bases treaty, and despite further efforts to salvage the situation, the two sides could not reach an agreement. As a result, the Philippine Government informed the United States on December 6, 1991, that it would have one year to complete withdrawal. That withdrawal went smoothly and was completed ahead of schedule, with the last U.S. forces departing on November 24, 1992. On departure, the U.S. Government turned over assets worth more than \$1.3 billion to the Philippines, including an airport and ship-repair facility. Agencies formed by the Philippine Government have converted the former military bases for civilian commercial use, with Subic Bay serving as a flagship for that effort.

The post-U.S. bases era has seen U.S.-Philippine relations improved and broadened, with a prominent focus on economic and commercial ties while maintaining the importance of the security dimension. U.S. investment continues to play an important role in the Philippine economy, while a strong security relationship rests on the 1952 U.S.-Philippines Mutual Defense Treaty (MDT). In February 1998, U.S. and Philippine negotiators concluded the Visiting Forces Agreement (VFA), paving the way for increased military cooperation under the MDT. The agreement was approved by the Philippine Senate in May 1999 and entered into force on June 1, 1999. Under the VFA, the United States has conducted ship visits to Philippine ports and resumed large combined military exercises with Philippine forces.

Key events in the bilateral relationship include the July 4, 1996 declaration by President Ramos of Philippine-American Friendship Day in commemoration of the 50th anniversary of Philippine independence. Ramos visited the United States in April 1998, and then-President Estrada visited in July 2000. President Arroyo met with President George W. Bush in an official working visit in November 2001, made a state visit in Washington on May 19, 2003, and returned for additional working visits on June 24, 2008 and July 30, 2009. President Bush made a state visit to the Philippines on October 18, 2003, during which he addressed a joint session of the Philippine Congress--the first American President to do so since Dwight D. Eisenhower. There are regular U.S. cabinet-level, congressional, and military visits to the Philippines as well.

President Arroyo has repeatedly stressed the close friendship between the Philippines and the United States and her desire to expand bilateral ties further. Both governments seek to revitalize and strengthen their partnership by working toward greater security, prosperity, and service to Filipinos and Americans alike. President Arroyo has lent strong support to counterterrorism efforts. In October 2003, the United States designated the Philippines as a Major Non-NATO Ally. That same month, the Philippines joined the select group of countries to have ratified all 12 UN counterterrorism conventions.

Annual bilateral military exercises contribute directly to the Philippine armed forces' efforts to combat insurgents, defeat Abu Sayyaf and Jemaah Islamiyah terrorists, and bring development to formerly terrorist-plagued areas, most notably in the southern Philippines. They include not only combined military training but also civil-military affairs and humanitarian projects. The International Military Education and Training (IMET) program is the largest in the Pacific and the third-largest in the world, and a Mutual Logistics Support Agreement (MLSA) was signed in November 2002. Similarly, law enforcement cooperation has reached new levels: U.S. and Philippine agencies have cooperated to bring charges against numerous terrorists, to implement the countries' extradition treaty, and to train thousands of Filipino law enforcement officers. There is a Senior Law Enforcement Advisor helping the Philippine National Police with its Transformation Program.

In FY 2009, the U.S. Government--working closely with the Philippine Government, civil society, the private sector, and other donors--provided \$138 million in grant funds to support a more peaceful and prosperous Philippines. About 55% of economic assistance resources are targeted for Mindanao, for programs that promote economic growth, mitigate conflict, and promote peace and security. The United States supports programs that promote good governance at the national and local levels, improve electoral systems, promote rule of law and human rights, help address constraints to trade and investment, improve revenue collection/administration and fiscal transparency, and enhance the ability of military and civilian law enforcement agencies to maintain peace and security. Many programs across other sectors--including health, education, agricultural productivity, micro-enterprise development, and natural resource management--also support improved governance, human capital development, poverty alleviation, and/or sustainable growth. Health-related assistance programs include reproductive health, maternal and child care, tuberculosis and HIV/AIDS control, and avian flu preparedness. The United States also provides humanitarian assistance to internally-displaced persons in conflict-affected areas and to victims of natural disasters (including \$5 million in reconstruction assistance for the typhoon-battered Bicol region in FY 2007 and, thus far, \$6 million for disaster relief and early recovery following typhoons Ketsana and Parma in FY 2009 and FY 2010). In 2006, the Millennium Challenge Corporation (MCC) granted \$21 million to the Philippines for a two-year Threshold Program targeted at addressing corruption in revenue administration and improving the capabilities of the Office of the Ombudsman. Performance under this Threshold Program contributed to the MCC awarding the Philippines Compact eligibility status in March 2008, and retention of such status in December 2008.

Nearly 400,000 Americans visit the Philippines each year. Providing government services to U.S. and other citizens, therefore, constitutes an important aspect of the bilateral relationship. Those services include veterans' affairs, social security, and consular operations. Benefits to Filipinos and U.S. citizens resident in the Philippines from the U.S. Department of Veterans Affairs and the Social Security Administration totaled approximately \$330 million in 2007. Many people-to-people programs exist between the United States and the Philippines, including Fulbright, International Visitors, and Aquino Fellowship exchange programs, as well as the U.S. Peace Corps.

Peace and Security: The top priority of U.S. assistance will remain counter-terrorism and promoting stability and security, not only in the Philippines, but in the Southeast Asian region. Security assistance will continue supporting strategic, long-term reform within the Philippine military through the Philippine Defense Reform program. Funding will also support the creation of a more capable force, able to respond to the terrorism and insurgency challenges the Philippines faces, and support the maritime security capability of the military. Department of State funds will train personnel, improve and maintain critical weapon systems, and support key logistics functions of the Philippine military. In addition, it will provide support for training and capacity-building for the Philippine National Police (PNP) and other law enforcement agencies to enhance their ability to detect, deter, counter, and investigate terrorist activities on land and in the territorial waters of the Philippines. Support to the PNP will help secure lawless areas of Mindanao and the marine borders to prevent exploitation of these areas by terrorists. The Department of State will also help consolidate counterterrorism gains and improve the capacity of the Philippine criminal justice system to prevent, investigate, and successfully prosecute cases of terrorism, narcotics, trafficking, money laundering, and other forms of transnational crime. USAID and the Department of State will support efforts to protect victims of human trafficking, raise public awareness of trafficking and its dangers, and promote the prosecution of traffickers. USAID will also help strengthen community-based alternative dispute resolution mechanisms in conflict-affected areas of Mindanao to prevent disputes from flaring into violent conflict. The United States continues to support a negotiated settlement between the Philippine government and the separatist Moro Islamic Liberation Front (MILF) by providing economic, education, and health assistance to communities across Mindanao.

Governing Justly and Democratically: The FY 2010 request envisions increases to promote democracy

and human rights through civil society and improved governance and judicial reform. USAID will continue vigorous efforts to combat corruption, promote the rule of law and a more effective judiciary, increase local capacity to monitor and report on human rights, support democratic local governance and decentralization, and strengthen civil society organizations. Increased support will be provided for anti-corruption activities and judicial reform. With the completion of the Millennium Challenge Account Threshold program, which is focused on combating corruption and improving performance in revenue administration, USAID will continue efforts to build the capacity of anti-corruption agencies and strengthen civil society oversight of the revenue and expenditure management of the Philippine government. A growing demand for a more efficient judiciary will require increased support to the justice system and anti-corruption. Department of State funds will be used to provide police training in areas of human rights, ethics, and investigations, all aimed at increasing law enforcement capacity to properly address a wide range of crimes.

Investing in People: USAID will continue assisting the Philippines to improve maternal and child health, family planning services, tuberculosis (TB) treatment, and HIV/AIDS prevention. Programs will focus on enhancing local governments' capacity to deliver quality health services and promoting the provision of private sector health services to those who can afford to pay. USAID will also help the Philippines develop improvements to water and sanitation at the local level including the promotion of hygiene practices, and will continue to leverage private capital to finance water and sanitation infrastructure. USAID will increase efforts to promote access to high-quality, voluntary family planning services and information. In maternal and child health, funds will be used to promote pre-natal and post-natal care and optimal nutrition during pregnancy, and enable women to deliver in safe settings. Assistance will also promote greater use of available TB treatment and expand private sector TB services. To reduce multi-drug resistant TB (MDRTB), USAID will work closely with the Global Fund grant focused on strengthening and expanding MDRTB diagnosis and management. In addition, USAID will focus on preventing the further emergence of MDR-TB by improving the quality of TB treatment in the private sector. The Philippines will receive funding to improve the coverage and quality of prevention and surveillance activities of the national HIV/AIDS program. USAID's education program, which is directed at conflict-affected areas of Mindanao, will continue to improve educational services and student achievement at the elementary level through teacher training, provision of education materials, classrooms and technology, and encouraging community support for education. USAID assistance will also help give alternative education options to out-of-school children and youth.

Focus on Performance: The bulk of FY 2010 funding will support the expansion of the Nonproliferation, Antiterrorism, Demining, and Related Programs-funded Anti-Terrorism Assistance (ATA) Program in support of the Mission's foreign assistance objectives in Peace and Security. ATA will continue its training efforts in Mindanao to enhance the capability of Philippine law enforcement agencies to detect, deter, counter, and investigate terrorist activities. ATA programs will stay focused on investigative, proactive security, and support training, coupled with a mentoring aspect. It will enhance regional cyber capabilities and the development of a cadre of cyber and explosive ordinance disposal instructors, enabling law enforcement agencies to more reliably utilize their own internal expertise when implementing counter-terrorism measures and conducting criminal investigations. ATA will also pursue the implementation of an antiterrorism curriculum and foster sustainability and institutionalization. This robust FY 2010 request would enable ATA to increase its training capacity over previous FY 2010 estimated levels, from 300 to 450. Funds will also support counterterrorism finance training through the Department of State's Office of the Coordinator for Counter-terrorism, as in prior years. The Philippine Judiciary has a strong constitutional infrastructure, but suffers from external and internal dysfunctions that diminish its accessibility to the poor and marginalized sectors of society. U.S. support has helped increase the capacity of judges and court personnel, systematize court operations, reinforce the importance of ethics, and institutionalize alternative dispute resolution. Despite this progress, judicial efficiency remains a constraint to the effective administration of justice. Additional FY 2010 funds will boost U.S. support in improving judicial efficiency, judicial integrity and access to justice. Highly specialized training activities

implemented starting in FY 2009 will be intensified in FY 2010. These training activities will promote modernization of trial practices, expand use of alternative dispute resolution mechanisms, improve courts and case management, expand small claims courts, enforce judicial ethics, and establish mechanisms to exact more transparency and accountability from the courts, which will contribute to a more stable socio-political and economic environment. Please note that the implementing mechanism supporting this indicator is ending this year, and a new Annual Program Statement (APS) that will contribute to the FY 2009 and FY 2010 targets for the above indicator is now open for solicitation. Targets are conservative since awards in response to the APS will be made later this fiscal year. The increased funds in FY 2010 will support activities that enhance anticorruption efforts of government agencies and civil society organizations, both at the national and local levels, and expand or deepen the work of previous USAID anticorruption projects, including the Millennium Challenge Corporation's Threshold Program. Through civil society organizations, the U.S. will support innovative activities that spread anti-corruption reform from the national to the local level and/or scalable approaches to corruption prevention at the local level. With additional funds, the U.S. may support activities that streamline systems and procedures, especially those that are highly vulnerable to corruption, of local government units and/or regional field offices of national agencies for enhanced efficiency, transparency and accountability. This includes the development and application of a local version of the Integrity Development Review; following financial flows from tax collection to disbursement to identify where there are internal weaknesses and vulnerabilities; piloting whistle blowing programs; investigating legal and legislative means to reduce monopolies, eliminating collusion, and increasing transparency of government procurements to lower the perception of corruption and support a more stable socio-political and economic environment. The increased level of funds in FY 2010 will be targeted at climate change adaptation, and will use this indicator to best capture results. Currently, the indicator captures hectares under improved management from natural resources and biodiversity (NRB) activities. Once the climate change adaptation activities are factored in, the targets are expected to be 50-100 percent higher than with just the NRB activities. The new emphasis on climate change adaptation will support the principal climate change focus in the Philippines. The Philippines is a key U.S. ally on climate change issues. By supporting adaptation activities, USAID will both generate important development outcomes and reinforce the U.S.-Philippines bilateral relationship on climate change. The additional FY 2010 funding will be used for the construction and/or repair of key community transport infrastructure in the conflict-affected areas in Mindanao, including the Sulu archipelago. Improving transport infrastructure, particularly farm-to-market roads, ports, and boat landings, is a key element to expanding economic opportunities, facilitating access to social services, and consolidating peace in the area. It will also help boost agriculture and fishery productivity and promote food security through market access improvements. With the additional FY 2010 funding, about 42 kilometers of transport infrastructure are expected to be completed by 2011. (Please note the FY 2010 target is staying at 36 as the additional results are expected to occur in 2011.) The increased level of resources will also enable the U.S. to leverage an additional \$4.1 million in public and private dollars for key infrastructure projects.

Economic Growth: USAID will build on progress by promoting improved economic governance and increased competition in major cities that are engines of growth. Continued support will be provided for programs that address constraints to trade and investment, improve regulatory quality, increase access of microenterprises to financial services, and reduce barriers to competition in key national sectors such as transport and telecommunications. In the energy and environment sectors, USAID assistance will continue to help the Philippines better manage rapidly deteriorating forest, coastal, and marine resources, and promote climate change mitigation through clean and renewable energy (both fuel and power sources), and to increase support to the Coral Triangle Initiative, which is taking a regional approach to marine conservation and promoting sustainable fisheries. As the Philippines has been identified as one of the countries that will be severely affected by climate change, USAID will strengthen assistance in sustainable forestry and climate change adaptation initiatives. Continued USAID support will be provided to agriculture, business, and investment activities in the conflict affected areas of Mindanao by doing the

following: building more transport and communications infrastructure; promoting rural electrification particularly in off-grid areas; improving agricultural productivity; and increasing job-skills training. USAID will enhance its post-secondary technical vocational training program for out-of-school children and youth, higher education scholarships, and English language instruction. Global climate change initiatives and transport and energy infrastructure activities in the conflict-affected areas of Mindanao will also be expanded.

Linkages with the Millennium Challenge Corporation

The Philippines initiated a two-year Millennium Challenge Corporation (MCC) Threshold program in 2006 that focused on fighting corruption and improving performance in the revenue administration agencies and strengthening the Office of the Ombudsman (the office of the special prosecutor charged with investigating and prosecuting corrupt government officials). USAID's ongoing assistance in countering corruption across government agencies, improving judicial efficiency, and improving public expenditure management, all complement the efforts undertaken under the MCC Threshold program. With the completion of the program in 2009, USAID plans to continue these activities in the Philippines, including support of selected anticorruption efforts. With the Philippines' attainment of MCC compact eligibility status, the emphasis now shifts to the Philippine government's efforts to develop its own MCC compact proposal. USAID and Department of State remain engaged with the Philippine government and the MCC in supporting this process, including closely tracking progress on MCC indicators, particularly the control of corruption indicator.