



EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION - DIRECTORATE GENERAL FOR  
DEVELOPMENT AND COOPERATION - EUROPEAID

## **MULTIANNUAL INDICATIVE PROGRAMME (MIP) FOR THE PHILIPPINES**

### **1. The overall lines for the EU response**

#### **1.1. Strategic objectives of the EU's relationship with the Philippines**

The strategic objective of the bilateral relationship is to deepen the economic and political ties with a fast-growing economy that forms part of the Association of Southeast Asian Nations (ASEAN) which is a key partner of the EU. The Philippines's unique democratic and cultural identity within ASEAN makes the Philippines a strategic partner for the EU in promoting common values such as democracy and human rights. From a regional perspective, the **ASEAN integration** and the support for stronger EU participation in the emerging regional security mechanisms (e.g. the East Asia Summit) also feature prominently in the overall EU strategic objectives for South East Asia. This is another area of cooperation with the Philippines that will be beneficial to build on, not least as a means of contributing to regional stability and economic prosperity.

The EU and the Philippines have concluded a **Partnership and Cooperation Agreement (PCA) with the intention to broaden and deepen their relationship from one mainly focussed on trade and development to include the broader dimensions of all political areas and also security and human rights**. The Philippines, as the third largest country of origin of migrant workers in the world, is benefitting from large remittance flows. The Philippines is interested to expand trade and investment relations with Europe which is supported through a project to strengthen the network of European Business Support Organisations in the Philippines addressing the European interest in full complementarity with the Development Cooperation Instrument (DCI) funded interventions supporting the Philippine interest. The EU supports **economic reforms and trade liberalization** in the Philippines and has discussed preparatory steps towards a possible future Free Trade Agreement. The Philippines has applied for trade preferences under the Generalised Scheme of Preferences Plus (GSP+) scheme paving the way for a significant increase in exports to the EU. The recently achieved relatively high growth rates and macroeconomic stability has reduced the public deficit and opened the fiscal space for more reforms. The Public Finance Management Reform Agenda is ambitious and some important steps were taken to increase transparency and controls. The economic growth has in the past not created sufficient employment

to absorb new entrants into the job market and lack of decent jobs is a key factor for the relatively slow poverty alleviation.

Beyond its political support to the peace process in Mindanao, the EU has used the Instrument for Stability to support the international monitoring team and peace facilitation which was appreciated by stakeholders in the peace process. The **EU is committed to continue supporting the implementation of the future Comprehensive Peace Agreement and the new Bangsamoro political entity** as well as the implementation of the Action Plan on children and armed conflict signed between the UN and Moro Islamic Liberation Front (MILF). Environmental protection, in particular of the natural capital, climate change, disaster preparedness and overall crisis management are also areas of mutual interest.

**Poverty alleviation** will remain an important objective of the EU's support to the Philippine development efforts, which are clearly outlined in the Philippine Development Plan 2011-2016 (PDP). The strategy of the PDP focusses on inclusive growth and good governance, matching the EU's Agenda for Change. Furthermore, and also in line with the Agenda for Change, a rights based approach will be applied in future EU support across the chosen priority areas, to assist partner countries in implementing their international human rights obligations and to support the right holders, with a focus on poor and vulnerable groups, in claiming their rights. Given the central role of civil society organisations (CSOs) in building a democratic culture and their remarkable strength in the Philippines, the EU will also play an enhanced and more strategic role with civil society.<sup>1</sup>

The EU is actively coordinating Member States development assistance to the Philippines and envisages engaging in a joint programming process with them in 2016 to develop a joint programming document fully aligned to the next PDP from 2017 to 2021. Therefore it is expected that the MIP will be reviewed in 2016 and revised as part of the joint programming process with Member States. Humanitarian assistance<sup>2</sup> is regularly provided by the EU together with the Member States. There is an ongoing coordination between development and humanitarian activities. Civil society organisations were consulted about the MIP in a general consultation meeting on the future MIP, in sector-specific meetings and in usual regular bilateral meetings.

## **1.2. Choice of sectors**

The Philippines is ranked as a lower Middle-Income Country with **high inequality of wealth distribution as growth was not inclusive in the past which the current administration attempts to change**. While the Philippines is not a poor country, it is nevertheless a country with a large proportion of poor people: as of 2013, about 25 % of its total population or 24 million are considered poor and income distribution is very uneven. The country has not achieved sufficient economic progress over the past decades to substantially reduce poverty, due mainly to a rather inefficient economy with lacking infrastructure and slow employment creation, corruption and weak rule of law, high population growth, and insurgencies. The Philippines is one of the countries most affected by climate change and suffering from electricity shortages especially in Mindanao, depriving the poor from access to energy and access to social services, limiting the growth potential and affecting their livelihoods.

The main challenge for the Philippines to accomplish its PDP is to make growth more inclusive and to accelerate job creation by increasing investments particularly in infrastructure, better governance and by improving the business environment including better business services.

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<sup>1</sup> See DEVCO's communication on CSOs 2012 (COM(2012) 492 final)  
<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0492:FIN:EN:PDF>

EU cooperation for the period 2014-2020 will focus on **two priority sectors**, which should have significant impact on inclusive and sustainable growth, good governance, investments and job creation:

- a) **Inclusive growth through access to sustainable energy and job creation** (DAC 230 and 250).
- b) **Strengthening the rule of law** through judicial and legal reform (DAC 15130, 15160 and 15210)

The PDP has the vision to achieve inclusive growth, create employment opportunities and reduce poverty. The overarching theme is "good governance and anti-corruption" with a separate chapter on good governance and rule of law.

Given the concentration of assistance, cross-cutting issues such as - the improvement of governance, human rights issues, gender, children (in particular children associated with armed groups), indigenous peoples' rights, social dimension of globalisation, cultural issues, disaster risk reduction and resilience building for the most vulnerable populations<sup>3</sup>, environmental protection and conflict prevention - will be systematically mainstreamed in all development programmes covered by this MIP.

The poor and particularly indigenous people will directly benefit through better access to electricity, more jobs and better legal and human rights protection. Civil society organisations will be consulted during programme preparation and specific meetings with them will be organised to discuss issues concerning the implementation of EU assistance. **Mindanao** will benefit from the support to the energy sector in view of the Mindanao Power Crisis affecting growth and job creation leading to a feeling of discrimination and fuelling insurgency. The interventions on rule of law should address particularly the emerging legal issues of the newly formed autonomous body in Mindanao, its capacity building and the security and human rights issues due to lawlessness and impunity in Mindanao.

EU support in both sectors will be subject to standard EU environmental and climate screenings in view of addressing pro-poor environmental and climate change concerns in project/programme formulation and implementation.

**a) Inclusive growth through access to sustainable energy and job creation:**

Access to clean energy for the poor and increased investments in renewable energy are important reform areas in the Philippine Development Plan. The Energy Reform Agenda defined under the Aquino administration for 2010-2016 is guided by the overarching vision of "energy access for more". The PDP confirms the ambitious objective of 90% electrification at household level by 2017.

The role of electrification in job creation and social development is further emphasised in the Household Electrification Development Plan (2013-2017) which states that "it will be a long-term and consistent policy of the Department of Energy to ensure that every Filipino family shall have an equal opportunity to access basic electricity services as part of the overall socio-economic development agenda of the Government." The Plan also suggests that basic electricity services be included as an essential economic right for Philippine citizens and be linked to other developmental

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<sup>2</sup> Resilience building is an overarching goal as outlined in the European Commission's Communication on EU approach to resilience - Learning from Food Security Crises' (ref. COM(2012) 586 final)

objectives such as education, rural health services, basic rural infrastructure, and job creation. Helping the Government to bring electricity to more families especially in disadvantaged areas will help the poor to do better in education and improve their health status. To achieve electrification targets, the PDP recommends expanding the use of renewables. The PDP includes a section on intensification and utilisation of renewable energy and environment–friendly alternative energy resources/technologies despite the current trend to build more coal fired power plants. EU assistance to facilitate more renewable energy investments will support the Philippines’ efforts in climate change mitigation which is of particular relevance as the Philippines is one of the countries most affected by climate change. Finally, to ensure that the benefits of access to energy are permanent and are not jeopardised by the impact caused by climate change, the PDP suggests assessing the vulnerability of energy facilities to natural disasters and investing in resilience. Mindanao and especially the Bangsamoro area have the lowest rate of access to energy and are therefore expected to benefit particularly from increased electrification and increased power supply provided through renewable energies. The Electricity Cooperatives within Bangsamoro are in particular need of capacity building. The limited power sources to be shared between Bangsamoro and the rest of Mindanao need to be addressed.

The EU is considered a leader in the area of regulation for renewable energy and climate change mitigation. Relevant energy efficiency technologies can be shared with the Philippines (this constitutes EU value added). EU grant funds in the energy sector can be used to leverage a much larger amount of loans that can amplify the impact of EU assistance. Combining EU support to the energy sector with specific job creation programmes will ensure that electrification is sustainable and contribute to the inclusive growth agenda of the Government. Job creation should focus on rural areas to reduce inequity and on the potential priority sectors of the Government, which include promotion of sustainable tourism and agribusiness. Support to livelihoods and job creation as part of the future Bangsamoro Development Plan is a key complement to the energy investments to create inclusive growth as a basis for lasting peace. Quality of the jobs and compliance with international labour standards will be key criteria for interventions.

#### **b) Strengthening the rule of law:**

Good governance is vital for inclusive and sustainable development as underlined in the Agenda for Change which calls for a more prominent inclusion of its different dimensions in EU partnerships with developing countries. In particular, the rule of law, with an adequate justice system which enforces it, is a key pre-condition for economic and social development through a two-pronged function. Firstly, it is a driver for economic development by promoting business and investment, hence economic growth and job creation. Secondly, an effective rule of law and an accessible justice system is fundamental to empower people, particularly the poor, to participate in the development process and for the poor to get their fair share of the wealth generated. It is not only a basic civil and political right for every citizen but an essential tool for the fulfillment of social, economic and cultural rights.

Good governance and the rule of law became priority issues of the Aquino administration and are well enshrined in the PDP and other policies to address different governance challenges in parallel. Since 1998, the country's percentile rank in the Worldwide Governance Indicators for the Rule of Law stays within the lower half with a score of 36 out of 100 in 2012 close to its 2004 level<sup>4</sup>. Likewise, according to the 2012/2013 World Justice Project Rule of Law Index, the country continues to score relatively poorly. It performs overall well in the lower half of the global ranking

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<sup>4</sup> Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

(average position of 64 out of 97 countries). Both reports converge on the different dimensions where the country scores lowest, namely fundamental rights, the absence of violence/law and order, as well as civil and criminal justice. From an economic perspective, trends are more positive. From an average position of 125 out of 139 countries in the institution pillar of the 2010-2011 Global Competitiveness Index (GCI), the country leapfrogged to the 79th position out of 148 countries in 2013-2014. Improvements are noted in the rankings for judicial independence; efficiency of the legal framework in settling disputes and challenging regulation; and diversion of public funds. Yet again, progress has been much lower regarding business costs of violence, organized crime, and police services reliability.

Although the rule of law remains an ideal still to be achieved throughout the Philippines, it poses a particular challenge in the conflict-affected areas of Mindanao. While it is one of the root causes of the Muslim insurgency for enhanced autonomy, it has been further eroded through the four decades of conflict. Human rights violations are widespread, local authorities are largely unaccountable, and the justice system has been ineffective in resolving disputes and fighting impunity.

Cognizant of this reality, the Government made good governance, with the rule of law as its cornerstone, the overarching theme of its development agenda along with the fight against corruption. As the PDP puts it, it is "a hallmark of political maturity but also a requisite for growth and poverty reduction, for there are irreducible minimum levels of governance needed for large-scale investment to occur and for social programs to be supported". Translating the President's vow in his social contract with the Filipinos to "transform the justice system from one that money and connections can buy to a truly impartial system of institutions that delivers equal justice to rich or poor", the plan identifies several reforms for the rule of law in a specific chapter. In its peace and security chapter, the PDP further identifies the need to strengthen the rule of law by ensuring a strong and independent judicial system and a better functioning of law enforcement and correctional systems so that justice is applied to all. With a committed administration, a Chief Justice in office for the next 18 years, and a forthcoming Comprehensive Peace Agreement, political conditions are now well in place to undertake a wide-scale reform of the justice system and address fundamental rule of law deficiencies in Mindanao. This will be a determining factor for the successful transition of the Philippines to a status of higher middle income country and for peace and development to prevail in the south.

With its long-term partnership in the rule of law and its participation and extensive support to the peace process, the EU is very well placed to assist the Government and the future Bangsamoro authorities in this process. The EU support in this field dates back to 2003 with programmes on border management, anti-money laundering, corruption, access to justice, and criminal justice. In particular, this partnership expanded with the EU-Philippines Justice Support Programme (EPJUST) addressing the very sensitive issue of extra-judicial killings and enforced disappearances following a formal request from former President Arroyo to President Barroso. This action which has contributed to significant achievements has enabled the deepening of the relation of trust. Building on this cooperation, EPJUST II was launched with the threefold objective of increasing accessibility, fighting impunity, and enhancing accountability of the justice system. With this programme, the EU is by far the most important development partner in the reform of the justice system together with United States Agency for International Development (USAID). But while the latter works mainly with the Judiciary, the EU engages with the full spectrum of justice-related stakeholders which gives it a unique position to promote and support a sector-wide approach in reforming the sector. Likewise, with its direct participation in and support to the peace process in Mindanao since 2009 (which has been praised by the parties for being value-driven and impartial), the EU has a comparative advantage to address the eminently political issues of rule of law that will be at the centre of the transition and peace-building process.

## **2. Indicative financial overview**

a) Inclusive growth through access to sustainable energy and job creation:

Indicative amount: Up to EUR 225 million (69% of total)

b) Strengthening the Rule of Law through legal and judicial reform:

Indicative amount: Up to EUR 95 million (29% of total)

c) Support measures:

Indicative amount: Up to EUR 5 million (1.5% of total)

The indicative allocation for the MIP 2014-2020 for the Philippines is EUR 325 million. The amounts stated above are based on the assumption of an allocation of EUR 325 million.

## **3. EU support per sector**

### **3.1 INCLUSIVE GROWTH THROUGH ACCESS TO SUSTAINABLE ENERGY AND JOB CREATION (Indicative Amount EUR 225 million)**

The EU will work with the Philippines to make growth more inclusive and more sustainable by connecting more poor people to the electricity grid and by promoting decent work including the strengthening of women's employment opportunities. Job growth should be targeted at poorer areas of the Philippines including conflict-affected areas, Mindanao and the Visayas which were devastated by the Super Typhoon Yolanda / Haiyan. The EU will facilitate more investments into renewable energy to make the power system of the Philippines more resilient to natural disasters. EU assistance will be aligned to the sector development plans of the Department of Energy and strengthen the capacity of all stakeholders in the sector. Investments are expected to be supported by blending of loans and EU grants accompanied by high quality EU technical assistance on sector regulation. The increased investment in the energy sector can lead to more competition and lower electricity rates benefitting all consumers, including the poor, and investors in the Philippines. Implementation of a Bangsamoro Peace Agreement and reconstruction after major natural disasters will be used to improve access to electricity and job creation at the same time.

It is proposed that the EU intervention focuses on increasing energy efficiency gains and promoting renewable energy both on- and off-grid. This proposal is aligned with the PDP objectives of bringing energy to the poor and reducing the reliance of the economy on imported (carbon-intensive) fuels. It is also in line with the government's objective to make growth more inclusive by promoting sustainable development in remote areas, as well as with the 2011 National Climate Change Action Plan which has sustainable energy as one of its seven strategic priorities. Access to sustainable energy should contribute to addressing the ongoing "Mindanao Power Crisis" with a shortage of power generating capacity and regular power cuts. Through blending loans and grants, significant investment of renewable energy technologies such as wind or solar can be generated; saving millions of tons of carbon emissions and moving the Philippines towards the path of a Green Economy.

### **3.1.1 The following overall and specific objectives will be pursued:**

The overall objective is to achieve inclusive growth in the Philippines through increased access to sustainable energy for the poor and accelerated job creation, including for women. The specific objectives are:

- a) Sustainable energy sources expanded to meet growing needs of the economy and the poor, especially in Mindanao. (Renewable energy generation for climate change mitigation)
- b) Increased access to energy for the poor and for job creation (Electrification)
- c) Jobs created through livelihood support and inclusive, sustainable business development in Mindanao, in disaster-affected and marginalised areas (Job creation)

### **3.1.2. For each of the specific objectives the main expected results are:**

- a) Sustainable energy sources expanded to meet growing needs of the economy and the poor especially in Mindanao.
  - 1. Improved power sector management encouraging more power generation in a sustainable way and more efficient electricity cooperatives.
  - 2. Renewable energy used on and off-grid especially in Mindanao to reduce the power shortage and strengthen the net.
  - 3. Energy efficiency increased to lower the cost of industry and consumers.
  - 4. Feasibility studies for renewable energy projects supported and containing assessments of environmental and social impacts including on indigenous people.
- b) Increased access to energy for the poor and for job creation.
  - 5. Policies analysed and studies prepared to make the distribution system more disaster-resilient.
  - 6. Investments supported through feasibility studies or incentives to make the power grid more resilient to natural disaster.
  - 7. Access to electricity promoted in remote areas through innovative solutions (such as mini-grids, solar home systems, solar / hydro power pumps, solar lanterns or solar dryers), which should not damage the natural capital and will be developed in cooperation with the business and Non-Governmental Organizations (NGO) sector.
- c) Jobs created through livelihood support and inclusive, sustainable business development in Mindanao, in disaster-affected and marginalised areas.
  - 8. Bangsamoro Development Plan supported through job creation activities such as training for the youth, reintegration of former combatants and promotion of the inclusive and sustainable business model.
  - 9. Livelihood activities provided to the poor population in Bangsamoro and in disaster-hit areas in cooperation with the national and local government.

10. Competitiveness increased in priority sectors for job creation such as sustainable tourism and agri-business through strengthened vocational education, and Small and Medium Enterprises (SME) development.
11. Local government units in disaster- and conflict-prone areas enabled to promote jobs adapted to climate change and disaster risk reduction plans implemented to reduce the risks of disasters on livelihoods.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

### **3.1.3. Donor coordination and policy dialogue are:**

Starting in 2012, the Delegation has organised jointly with the Department of Energy an annual EU-Philippines Meeting on Energy. The first two events focused on renewable energy and energy efficiency. The EU – Philippines Senior Officials Meeting held in Brussels in June 2013 confirmed the relevance of these annual consultations and both parties agreed to continue this form of dialogue in the future.

The World Bank is a leading development partner in the sector. Planning of renewable energy interventions will also attempt to utilize comprehensive renewable energy planning approaches which are now being promoted through the World Bank/Energy Sector Management Assistance Programme Initiative in Support of Resource Mapping and Geospatial Planning as their contribution to the Sustainable Energy for All (SE4ALL) initiative. Coordination with other European development partners is strong (mainly Spain, Germany, France). Spain is considering sustainable energy as a focal sector in their next programme. Germany's strong policy focus on climate change and clean energy is also in line with this focal sector. France is looking at the rehabilitation of a previous renewable energy project. Overall donor coordination in the energy sector is led by the Department of Energy with annual meetings in which priority projects are presented for support. A more policy-oriented dialogue is happening at technical events organised by projects.

### **3.1.4. The Government's financial and policy commitments are:**

The current Government's objective is to reach 90 percent household connection by 2017 through rural electrification, up from 74% in 2010. The Government also intends to double the proportion of renewable energy production by 2020 compared to 2010. Finally, President Aquino has vowed to create more than 1 million jobs each year as a result of his inclusive growth policy focus. The latest data available showed that this objective is going to be challenging to attain. More pro-poor and inclusive growth initiatives will be needed.

The Government recently adopted Household Electrification Development Plan (2013-2017) which acknowledges the need to accelerate electrification to achieve the government's medium term target of 90% household electrification rate. The Plan foresees nearly 5 million new connections from 2013-2017 through 7 major projects, including the use of solar home systems. In 2014, the budget for rural electrification was almost 130 million EUR which represented an increase of almost 40% over the previous year. Further increases in the budget are expected to continue to achieve the ambitious goals. On the renewable energy policy, the installation caps eligible for Feed in Tariffs will be revised in 2015 and will likely provide further incentives and direction on how to achieve doubling the installed capacity by 2020.



### **3.1.5. The overall risk assessment of the sector intervention:**

The Philippines has from time to time experienced severe political and social instability, resulting in acts of violence. Election-related violence is rampant in the under-developed regions of the Philippines, particularly in Mindanao, making it a challenging region for investments and job-creation. Leadership change and shifting political alliances result in changes in policies in priorities. In 2016, the Philippines will organise the next presidential elections leading to a new government. Whether the next government will provide the same emphasis on access to energy is unknown, however the awareness about the needs in the energy sector and more job creation has increased rapidly. EU assistance until the next elections will include awareness-raising about the need for more access to sustainable energy.

Since the Philippines is very vulnerable to climate change impacts, such as natural disasters, which may have serious impacts on the energy infrastructure, there is a need to limit exposure of current and planned energy infrastructure to extreme climate events and possibly damage by flooding, strong winds and land-slides. Consideration of such issues can, if needed, utilize comprehensive long-term data on the relevant issues obtained from Earth Observations carried out by the European Space Agency.

Political stability in Mindanao will be key to implementing electrification and economic development projects in the area. The current peace negotiations leading to the creation of a separate Bangsamoro entity are very encouraging.

The electric power industry is subject to extensive regulation in the Philippines by various regulatory agencies. Due to the high price of electricity and accusations of collusion amongst the stakeholders, there is the possibility to revise Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). Any amendments to existing rules and regulations or the enactment of new rules and regulations governing the power industry in the Philippines could have a material adverse effect on the business, financial condition, and results of operations of any existing companies doing business in the Philippines, as well as the attractiveness of the Philippines as an investment destination.

### **3.2 RULE OF LAW THROUGH LEGAL AND JUDICIAL REFORM (Indicative Amount EUR 95 million)**

The EU will support the rule of law and the needed governance reforms in justice sector institutions as mentioned in the PDP 2011-2016 and working towards a sector-wide approach led by the Philippine Government. Initial support is planned to prepare the sector programme. The PDP envisions the following reforms: (i) strengthen the oversight bodies; (ii) foster effective and speedy resolution of cases in courts and quasi-judicial bodies; (iii) reduce the cost of litigation; (iv) avoid law suits involving government contracts; (v) enhance the integrity and competence of justices, judges, court personnel, and all other officers of the judiciary and quasi-judicial bodies; (vi) increase resources for justice sector agencies and quasi-judicial bodies; (vii) improve access to justice of all sectors of society, particularly vulnerable groups; (viii) promote the use of alternative dispute resolution; and (ix) institutionalize existing justice sector coordination mechanisms. Specific assistance will be provided to the new political entity of the "Bangsamoro" to ensure that the new institutions link appropriately to the national system and respect internationally recognized laws and norms. Ensuring that the rule of law situation improves significantly after the signing of the Peace Agreement not only at the regional but also and perhaps more importantly at the local

level will be key to preserving peace and stability and promoting economic and social development. Both nationwide and in Mindanao, the EU will pay particular attention to encourage "woman- and child-friendly justice" for victims, witnesses and perpetrators of crimes. Furthermore, in line with the PDP which explicitly and forcefully refers to the need to expand citizens' participation in governance, a strong emphasis will be put on the crucial role of the civil society in upholding and promoting the rule of law by demanding transparency and exacting accountability from Government at all levels of governance.

### **3.2.1 The following overall and specific objectives will be pursued:**

The overall objective is to promote good governance and respect for human rights in the Philippines through strengthened rule of law, public access to information and improved justice service delivery. The specific objectives are:

- a) The accessibility, efficiency and effectiveness of the justice system increased and the role of oversight bodies and civil society to demand accountability from the Government strengthened.
- b) The capacity of local and regional authorities and civil society in Bangsamoro to ensure public safety and deliver legal and justice services is strengthened and aligned to national systems.

### **3.2.2. For each of the specific objectives the main expected results are:**

- a) The accessibility, efficiency and effectiveness of the justice system increased and the role of oversight bodies and civil society to demand accountability from the local authorities and Government strengthened.
  - 1. Sector-wide coordination ensured in the administration and reform of the justice system.
  - 2. Overall backlog of the judiciary and the prosecution service reduced to a reasonable level and specific caseloads per court/tribunal and prosecutor reduced to manageable level.
  - 3. Case build up improved and case processing sped up through strengthened case management.
  - 4. Administrative and financial procedures and management systems of key justice stakeholders (i.e. judiciary; executive department such as that of Justice or Interior and Local Government; oversight bodies, etc.) rationalised and improved.
  - 5. Institutional performance of official oversight bodies such as the Commission on Human Rights of the Philippines strengthened and civil society supported in the exercise of its oversight, service delivery, and advocacy functions.
  - 6. Capacity of poor and vulnerable groups (i.e. children, minorities, etc.) to access justice services enhanced.
  - 7. Specific measures to fight impunity for major human rights violations such as extrajudicial killings, enforced disappearances and torture strengthened (i.e special investigations, witness protection, etc.) and compensation schemes for victims' families developed.
- b) The capacity of local and regional authorities and civil society in Bangsamoro to ensure public safety and deliver legal and justice services is strengthened and aligned to national systems.

8. Former combatants decommissioned and Bangsamoro law enforcement authorities capacitated to ensure public safety in compliance with international human rights standards.
9. Formal and informal adjudicatory institutions and mechanisms strengthened in particular for land dispute resolution.
10. Official oversight bodies such as the Autonomous Region in Muslim Mindanao (ARMM) Commission on Human Rights and civil society strengthened and supported to exact accountability from Bangsamoro authorities in particular for the promotion and protection of human rights.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

### **3.2.3. Donor coordination and policy dialogue are:**

Donor coordination formally takes place under the leadership of the Government in the framework of the Philippines Development Forum Working Group on the Rule of Law which is the primary mechanism for ensuring coordination of support and facilitating substantive policy dialogue. Co-chaired by USAID and the Department of Justice, the group meets every two months and provides a useful forum to exchange information, raise issues of concern, and discuss Government's priorities for the future. One particular problem with respect to donor coordination and policy dialogue has been the relatively limited sector-wide approach. To address this issue, a Justice Sector Coordination Council co-chaired by the Supreme Court, the Department of Justice (DOJ), and the Department of the Interior and Local Government (DILG) was established in 2010. It proves to be a unique system to improve coordination among justice sector agencies and identify and address issues of mutual interest both at political/policy and technical levels through its different working groups. While it was initially conceived as a mere coordination mechanism, it quickly revealed the need to develop a sector-wide programme of action to reform the entire justice system. The intention is therefore to institutionalise it and to give it the necessary resources to formulate and coordinate the implementation of a long-term reform strategy. This will greatly facilitate policy dialogue with the Government and coordination amongst donors in the Peace and Development Framework (PDF).

### **3.2.4. The Government's financial and policy commitments are:**

While falling short from being a genuine sector-wide reform strategy, the Justice Sector Coordinating Council Strategic Plan (2012-2016) recognizes the inextricable relationship among the justice sector agencies and offices and focuses on addressing long standing institutional capacity and sector coordination issues that have hampered the efficient and effective functioning of the justice sector agencies as a system. The Judiciary Development Program (JDP) of the Supreme Court likewise acknowledges that the traditional justice system is made up of not only the judiciary and the legal profession but also includes the prosecution, public defenders, law enforcers, jail custodians, correction officers and the litigants on both sides. The JDP further highlights the interdependence of functions and proposes actions that will harmonize contributions that the justice sector agencies can make to improve the administration of justice.

The Government's commitment is also evidenced by the increase in the budget of the justice sector institutions under the incumbent administration. This increase is particularly significant for the Department of Justice and its attached agencies (prosecution, legal aid, immigration, etc.) with augmentations of 19.4%, 18.6% and 16.6% in 2012, 2013, and 2014 respectively. With the increasing budget, the agencies also need further strengthening of their financial management capacities. It is for this reason that performance-based budgeting is being institutionalized at all

levels in the various justice sector agencies. Furthermore, justice sector agencies are making progress in the preparation of the Medium Term Expenditure Framework.

Policy-wise, the strategic framework for the reform of the justice and security sector is gradually put into place with very relevant principles and priorities identified on the basis of sound problems and needs analysis. Implementation-wise however, the actions plans already developed still fall short from being credible working documents with proper expenditure frameworks, performance assessment frameworks, and coordination mechanisms. But the momentum generated by the incumbent administration pushes the justice sector institutions in the right direction and it is reasonable to believe that steady progress will be achieved and sustained under the succeeding administration as rule of law is widely perceived by Filipinos as a key factor for socio-economic development.

### **3.2.5. The overall risk assessment of the sector intervention:**

One of the main risks associated with this sector intervention is that the next government may not allocate the necessary funds and human resources for the implementation of PDP Chapters 7 and 9, prioritising instead other PDP sectors. Under the incumbent administration, this risk is however considered very low in view of the orientation taken by the President and the reform-oriented political leadership in key ministries. Likewise, despite an inherently complex political economy in the Philippines, it is unlikely that beyond 2016 the succeeding administration will challenge the direction taken, since a consolidated public clamour for the rule of law, supported by a very active civil society, would make such a move politically very risky. Another risk is a certain political and institutional inertia due to strained relations between the executive and the judiciary. With the recent change in the leadership of the latter, the three years to come shall however see increasing cooperation in strategic planning and overall coordination. This shall be supported by the institutionalisation of the existing coordination mechanism whose relevance will not be easily put into question beyond 2016. The risk is the only considered medium. In the future Bangsamoro and beyond, the main risk is associated with the political implementation of the Comprehensive Peace Agreement which will not necessarily always be seamless. Political blockages are therefore very likely to happen in this field which touches upon core sovereignty issues. The parties have however never been that close to succeed and their commitment at this stage is unequalled. If the implementation of the Agreement progresses well, it will furthermore be difficult for the next administration to undo what has been completed. Another important risk is the continuation of violence from splinter groups or its resurgence from unsatisfied constituencies. While this risk is evident, the strengthening of the rule of law is a mitigating factor in itself.

## **4. Support Measures**

Measures will aim to support the preparation and implementation of actions under the MIP, including through feasibility studies, consultation and planning workshops, outreach, audits, evaluations and other activities as necessary to ensure a high quality design and implementation of actions under the MIP.

### **Attachments**

1. Country at a glance (i.e. macro-economic indicators and indicators derived from the MDGs, as well as possible other indicators relevant for the country, including risk indicators for disaster prone countries)
2. Donor matrix

3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds
5. Abbreviations

## Attachment 1. Country at a Glance



OVERVIEW			
Full Name	Republic of the Philippines		
Area	300,000 sq. km (land: 298,170 sq.km; water: 1,830 sq km.)		
Population	96,710,000 (WB est. 2012)		
ECONOMIC INDICATORS			
	2000	2005	2012
GDP (million US \$)	81,030	103,070	250,182
GDP per capita (US \$)	977	1,159	2,546
Budget Deficit (% of GDP)	3.7%	2.8%	2.2%
Value of exports (million US	38,078	41,254	51,995
Value of imports (million US	34,490	47,418	65,350
Trade Balance (million US \$)	3,587	-6,163	-13,300
Payments Balance (million	11,364	2,496	
Net ODA Received (million	572	567	-192 (2011)
Inflation, Consumer Prices	5.7%	5.8%	3.1%
Unemployment (% of labor	11.2%	7.8%	7.2%
FDI Net Inflows (% of GDP)	2.8%	1.8%	1.1%
Population	77,310,000	85,550,000	96,710,000
Labor force (total)		38,900,000(2010)	39,810,000
Rural % of Population	N.A.	N.A.	
Poverty Rate	33%	32.9%	27.9%
SOCIAL INDICATORS			
	2000	2005	2012
Human Development Index	0.602	0.622	0.654
Gini Index	46.6 (2003)	45.8 (2006)	43
Adult Male Literacy Rate	94.5%	97% (2008)	97.3%
Adult Female Literacy Rate	95.7%	98.5% (2008)	98.4%
Primary Schooling	N.A	67%	71% (2011)
Life Expectancy at birth	67	67	69
Fertility Rate	3.8	3.5	3.1
Infant Mortality Rate	40	35	30

Sources: WB, NSCB, UN, IMF, TI

GOVERNANCE INDICATORS				
	2001	2005	2008	2012
CPI : (0=highly corrupt to 10)	2.9	2.5	2.3 (rank 141)	(rank 105)
CPIA: Economic Mgmt.(1 to 6).				

DISASTER INDICATORS		
	2011	2012
World Disaster Risk Index	24.32% (rank 3)	27.98% (rank 3)

Figure 1: Real GDP Growth, 2004 – 2012

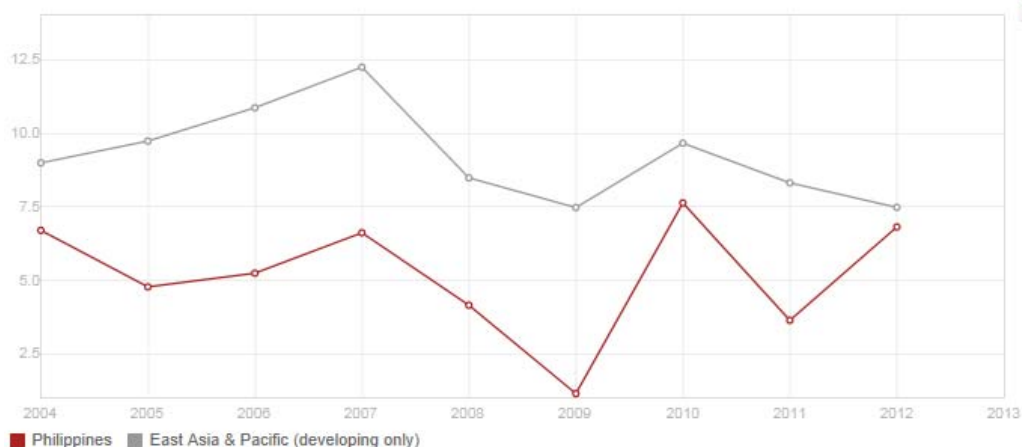


Figure 2: GDP by Sector

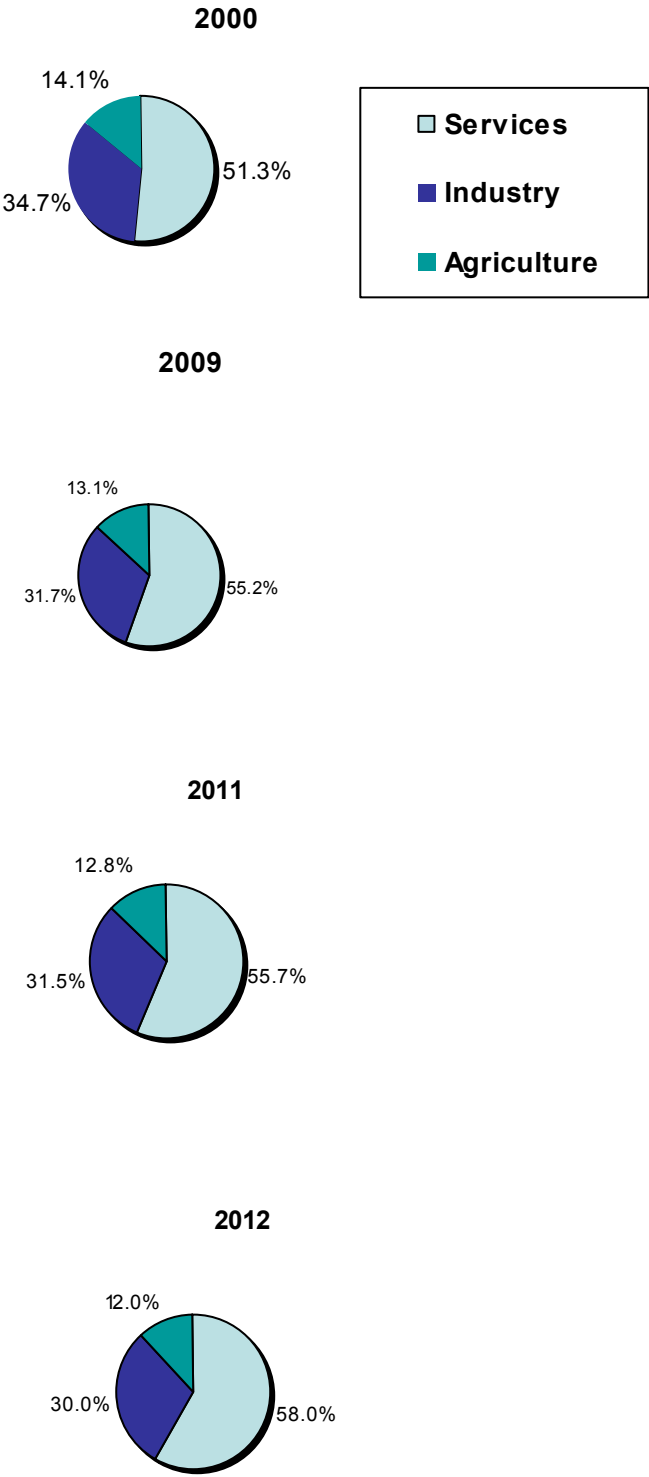


Figure 3: Poverty Trend, 1997 – 2012

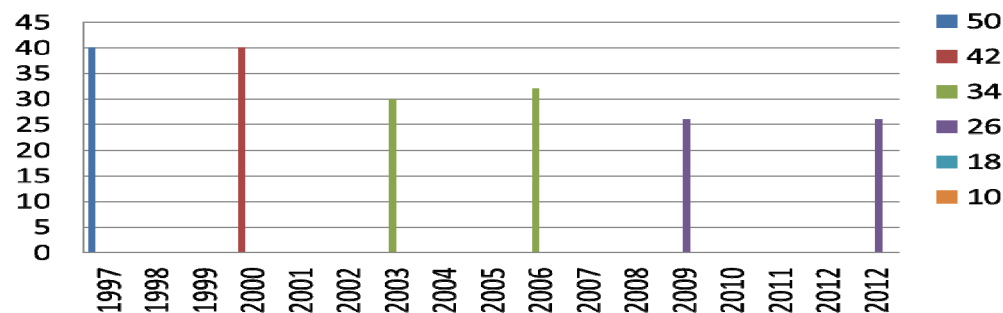
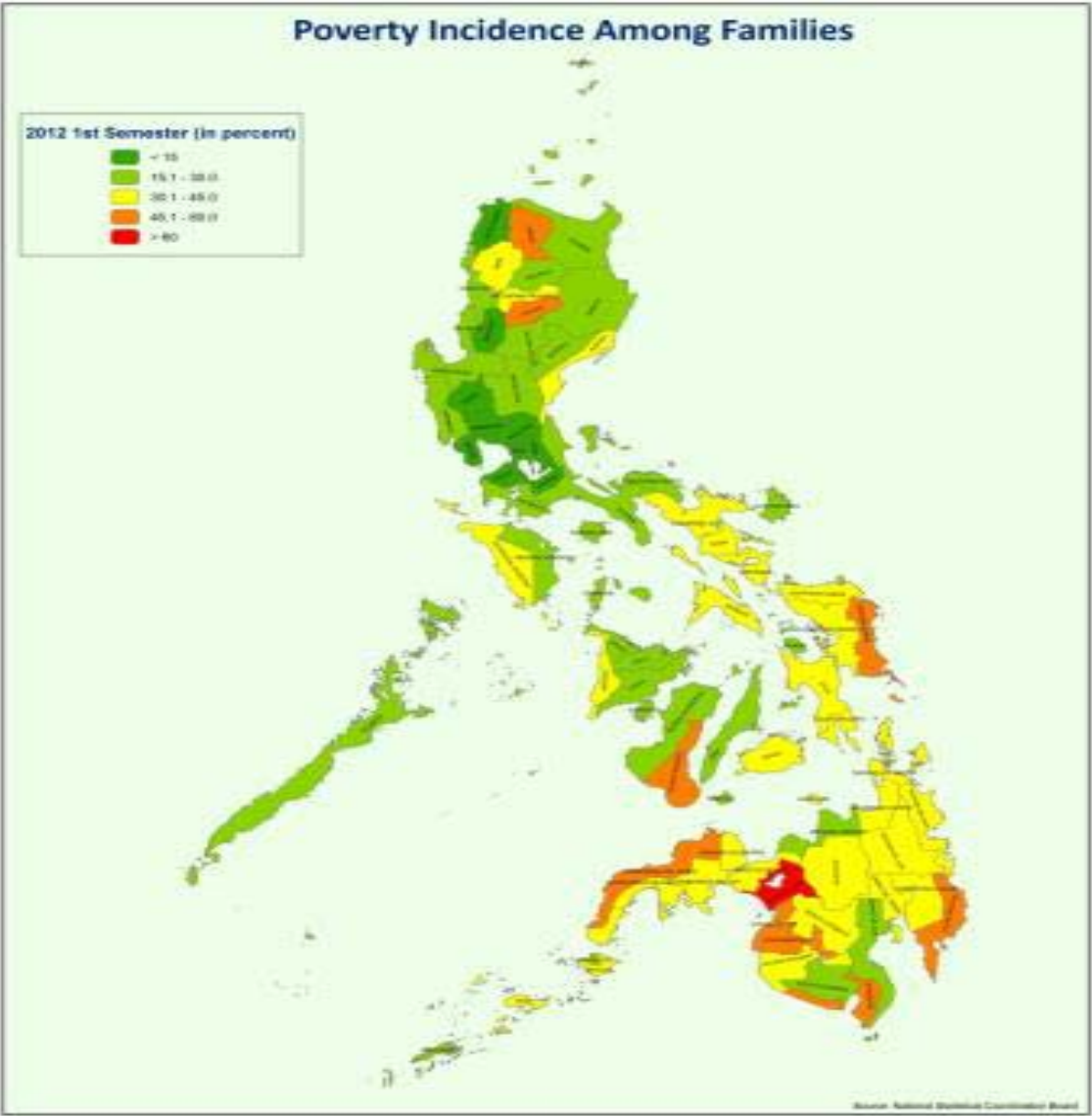


Figure 4: Poverty Map 2012





PHILIPPINES AND THE MILLENNIUM DEVELOPMENT GOALS	
GOAL/TARGET	STATUS (2013)
<b>GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER</b>	
<b>Target 1:</b> Halve between 1990 and 2015, the proportion of people living in poverty	<b>UNLIKELY TO BE ACHIEVED.</b> Poverty reduced by one-fourth between 1990-2009. Eight years behind achieving goal.
<b>Target 2:</b> Halve between 2009 and 2015, the proportion who suffer from hunger	<b>UNCERTAIN TO BE ACHIEVED.</b> Proportion reduced by one-fourth between 1990-2009.
<b>GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>	
<b>Target 3:</b> By 2015, boys and girls to complete a full course of primary schooling	<b>UNCERTAIN TO BE ACHIEVED.</b> Elementary education completion rate (gross) is 73.3%. However, huge decline from 2000-2006.
<b>GOAL 3: PROMOTE GENDER EQUALITY</b>	
<b>Target 4:</b> Eliminate gender gaps in primary and secondary education no later than 2015	<b>LIKELY TO BE ACHIEVED.</b> Gender equality at primary, secondary education. However, boys from poorest HH by age 15, have left schooling due to economic factors.
<b>GOAL 4: REDUCE CHILD MORTALITY</b>	
<b>Target 5:</b> Reduce by two-thirds between 1990 and 2015, the under-5 mortality rate	<b>UNCERTAIN TO BE ACHIEVED.</b> Reduced by more than 50% between 1990-2008. In 2011, the achieved reduction however declined by 15%.
<b>GOAL 5: IMPROVE MATERNAL HEALTH</b>	
<b>Target 6:</b> Reduce maternal mortality by three quarters, between 1990 and 2015	<b>UNLIKELY TO BE ACHIEVED.</b> Reduced by less than 25% from 1990-2010.
<b>GOAL 6: COMBAT HIV/AIDS AND OTHER DISEASES</b>	
<b>Target 7:</b> By 2015, have halted and begun to reverse the spread of HIV/AIDS	<b>LIKELY TO BE ACHIEVED.</b> Initial low prevalence of HIV but increasing in recent years.
<b>Target 8:</b> By 2015, have halted and reversed the incidence of malaria and other diseases	<b>LIKELY TO BE ACHIEVED.</b> Malaria cases severely reduced by 85%, however target on tuberculosis less likely to be achieved.
<b>GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>	
<b>Target 9:</b> Embrace sustainability and reverse the loss of environmental resources	<b>LIKELY TO BE ACHIEVED.</b> Upward trends on protected areas,
<b>Target 10:</b> Halve by 2015, the share of people without safe drinking water and basic sanitation	<b>LIKELY TO BE ACHIEVED.</b> Rapid progress on access to safe drinking water and basic sanitation.

Sources: UN, NEDA

## **Attachment 2. Donor Matrix**

<b>Donor</b>	<b>WB</b>	<b>ADB</b>	<b>UN</b>	<b>USAID</b>	<b>AUS</b>	<b>Japan</b>	<b>Korea</b>	<b>China</b>	<b>Can</b>	<b>EU</b>	<b>Spain</b>	<b>Germany</b>	<b>France</b>
Social Protection	X	X	X				O						
Health			X	X		O	X			O	O	O	
Education	X		X	X	X						X		
Trade and Economic Development	X	X	X	X		X		O	X	O		X	
PFM and Anti-Corruption	X	X	X	O	X		O			O			
Decentralization and Local Government		X	X	O	O				O	O	X		X
Rule of Law		O		X						X			
Mindanao - Peace	X		X	X	X	X			X	O	X	X	
Transportation	X	X		X	X	X	X	X					O
Energy	X	X				X				X	X		O
Water	O	X				X		O					
Rural Development /Agriculture	X		X			X	X		O		O	O	
Climate Change/ Environment	X	X	X	X	X	X	O		O	O	X	X	X

**X = Expected focal areas of cooperation after 2014.**

**O = ongoing assistance outside of future focal areas**

### **Attachment 3. Sector intervention framework**

*Baselines for the indicators below will be introduced in Action documents at the latest.*

#### **Sector 1: INCLUSIVE GROWTH THROUGH ACCESS TO SUSTAINABLE ENERGY AND JOB CREATION (Indicative Amount EUR 225 million)**

**Specific objective 1: Sustainable energy sources expanded to meet growing needs of the economy and the poor especially in Mindanao.**

<b><u>Expected Results</u></b>	<b><u>Indicators and Targets</u></b>	<b><u>Means of verification</u></b>
1. Improved power sector management encouraging more power generation in a sustainable way and more efficient electricity cooperatives.  2. Renewable energy used on and off-grid especially in Mindanao to reduce the power shortage and strengthen the net.  3. Energy efficiency increased to lower the cost of industry and consumers.  4. Feasibility studies for renewable energy projects supported and containing assessments of environmental and social impacts including on indigenous people.	1.1 Average system losses and collection rates of electric cooperatives  Capacity of electricity installed from renewable energy projects supported by the EU by 2020 (Target More than 200 MW), with appropriate safeguards applied to prevent negative impacts on the environment and biodiversity.  Electricity savings generated due to energy efficiency initiatives promoted by the EU to save greenhouse gas emissions of one 100 MW coal-fired power plant by 2020.  Renewable energy investments supported through feasibility studies (Target: More than 300 MW).	DOE  Programme monitoring and evaluations
<b>Specific objective 2: Increased access to energy for the poor and for job creation.</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators</u></b>	<b><u>Means of verification</u></b>
5. Policies analysed and studies prepared to make the distribution system more disaster-resilient.	Number of studies prepared by Electricity cooperatives and DoE per year/until 2020 to improve disaster resilience and analyse policy changes to the regulatory framework (Target: at least 2)	Programme monitoring and evaluations
6. Investments supported through feasibility studies or incentives to	Number of people with access to sustainable electricity through EU	NEA

make the power grid more resilient to natural disaster.	support (particularly in remote areas and in Mindanao) (Target: 1,000,000 people by 2020).	
7. Access to electricity promoted in remote areas through innovative solutions (such as mini-grids, solar home systems, solar or hydro power pumps, solar lanterns or solar dryers) which should not damage the natural capital and will be developed in cooperation with the business and NGO sector.	See indicator above and:  Number of businesses benefitting from new or more reliable power supply (Target: At least 1,000 businesses by 2020).	NEA
<b>Specific objective 3: Jobs created through livelihood support and inclusive, sustainable business development in Mindanao, in disaster-affected and marginalised areas.</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators and Targets</u></b>	<b><u>Means of verification</u></b>
8. Bangsamoro Development Plan supported through job creation activities such as training for the youth, reintegration of former combatants and promotion of the inclusive and sustainable business model.	Number of beneficiaries of EU supported livelihood enhancing interventions in Bangsamoro such as training or support to agriculture (Target: At least 100 000 by 2020).	DOLE, DTI data
9. Livelihood activities provided to the poor population in Bangsamoro and in disaster-hit areas in cooperation with the national and local government.		Programme monitoring and evaluations
10. Competitiveness increased in priority sectors for job creation such as tourism and agri-business through strengthened vocational education and SME development.	Number of people participating in training courses on business development or vocational education (Target: At least 50 000 farmers by 2020)	DoT, DTI, DA
11. Local government units in disaster and conflict prone areas enabled to promote jobs adapted to climate change and disaster risk reduction plans implemented to reduce the risks of disasters on livelihoods.	Number of LGUs that have developed and implemented plans to make jobs in their area more resilient to disaster and are actively promoting investments in disaster resilient fields (Target: At least 10 by 2020).	Programme monitoring and evaluations

<b>Sector 2: <u>STRENGTHENED RULE OF LAW THROUGH LEGAL AND JUDICIAL REVIEW (Indicative Amount EUR 95 million)</u></b>		
<b>Specific objective 1: The accessibility, efficiency and effectiveness of the justice system increased and the role of oversight bodies and civil society to demand accountability from the Government strengthened.</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators and Targets</u></b>	<b><u>Means of verification</u></b>
1. Sector wide coordination ensured in the administration and reform of the justice system.	Sector-wide reform strategy with clear action plan, medium-term expenditure framework, and performance assessment framework adopted by 2017 and implemented thereafter.	JSCC reports and stakeholders' reports
2. Overall backlog of the judiciary and the prosecution service reduced to a reasonable level and specific caseloads per court/tribunal and prosecutor reduced to manageable level.	<p>Overall backlog in first and second level courts (target: 50% decrease by 2017 from 627,649 at the end of 2013).</p> <p>Caseload per prosecutor and judge (target: decrease by 2020 to 250 cases from 390 in 2013 for prosecutors and to averages of 500 cases for Metropolitan/Municipal and Regional Trial Courts Judges from 1,000-2,000 and 500-800 respectively in 2013).</p>	SC/CMO data, DOJ data
3. Case build up improved and case processing sped up through strengthened case management.	<p>Conviction rate (target: 25% increase by 2020 from 18% in 2013).</p> <p>Length of criminal case adjudication proceedings (target: 30% decrease by 2020 from 6-8 years for indexed crimes).</p>	SC/CMO and DoJ and PNP data
4. Administrative and financial procedures and management systems of key justice stakeholders (i.e. judiciary, Executive department such that of Justice or Interior and Local Government; oversight bodies, etc.) rationalised and improved.	<p>Justice sector stakeholders' (Judiciary, DoJ, PNP) budget headings for capital outlay (target: 5% annual increase; baseline: 261, 216, and 2.1 million for Judiciary, DoJ and PNP).</p> <p>Vacancy rates in prosecution service and Judiciary (target: decrease to 15% by 2017 from 23% to 15% respectively).</p>	DBM/DoF data JBC data, SC/OAS data, IBP/OBC data, DoJ/IAU data

5. Institutional performance of official oversight bodies such as the Commission on Human Rights of the Philippines strengthened and civil society supported in the exercise of its oversight, service delivery, and advocacy functions.	Percentage of resolved human rights violation cases resulting in victims access to remedies (target: increase by 20% in 2017 from 57.09% in 2013)	CHR data, Ombudsman's data, Sandiganbayan's data, News and CSOs reports
6. Capacity of the poor and vulnerable groups (i.e. children, minorities, etc.) to access justice services enhanced.	Perception of access to justice from poor and vulnerable groups (target: 15% average increase compared to different available baselines from most recent non-governmental surveys in 2009/2010, from relevant sub-factors of the World Justice Project, or to be produced with EU support).	Surveys, ARMM/Bangsamoro Statistical Office and Bangsamoro/PNP data
7. Specific measures to fight impunity for major human rights violations such as extrajudicial killings, enforced disappearances and torture strengthened (i.e. special investigations, witness protection, etc.) and compensation schemes for victims' families developed.	Conviction rate for EJKs and EDs of both those who execute and order the crime (target increase to 5% by 2020 from 1.05% in 2010 according to independent study).	PNP/NPS/SC data, CSOs data
<b>Specific objective 2: The capacity of local and regional authorities and civil society in Bangsamoro to ensure public safety and deliver legal and justice services is strengthened and aligned to national systems.</b>		
<b><u>Expected Results</u></b>	<b><u>Indicators and targets</u></b>	<b><u>Means of verification</u></b>
8. Former combatants decommissioned and Bangsamoro law enforcement authorities capacitated to ensure public safety in compliance with international human rights standards.	Crime rate, including kidnap for ransom (target: decrease by 10% to be measured against baseline data to be produced with EU support if not available then).	PNP data, Bangsamoro police data,
9. Formal and informal adjudicatory institutions and mechanisms strengthened in particular land dispute resolution.	Number of ridos (clan feuds) (target: 10% decrease; baseline 228 active cases in 2013)	Bangsamoro judicial authorities data,, RHRC data, CSOs data
10. Official oversight bodies such as the ARMM Commission on Human Rights and civil society strengthened and supposed to exact accountability from Bangsamoro authorities in particular for the promotion and	Ratio of the number of services rendered to the number of services requested to the ARMM Commission on Human Rights and civil society (target: increase by 25% in 2020 to be measured against baseline data to be	RHRC data, CSOs data, media reports, surveys

protection of human rights.	produced with EU support if not available then).	
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The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

#### **Attachment 4. Template for Indicative timetable for commitments**

	<b>Indicative allocation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>SECTOR – Inclusive growth through sustainable energy and job creation</b>	Up to 225 m EUR	30-60	30		75		60	
<b>SECTOR – Rule of Law</b>	Up to 95 m EUR	10-20	0	10	65			
<b>SUPPORT MEASURES</b>	Up to 5 m EUR		0.8	1	1		1	1
<b>Total Commitments</b>	Up to 325 m EUR	40-80	31	11	141		61	1

The amounts mentioned in this table are indicative.



## **Attachment 5. Abbreviations**

ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
CHR	Commission on Human Rights
CSOs	Civil-Society Organisations
DA	Department of Agriculture
DBM	Department of Budget and Management
DCI	Development Cooperation Instrument
DILG	Department of the Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOJ	Department of Justice
DOLE	Department of Labour and Employment
DoT	Department of Tourism
DTI	Department of Trade and Industry
EPJUST	European Union Justice Programme
EU	European Union
EPIRA	Electric Power Industry Reform Act
GCI	Global Competitiveness Index
GSP+	Generalised Scheme of Preferences Plus
IAU	Internal Affairs Unit
IBP	Integrated Bar of the Philippines
JDP	Judiciary Development Program
JSCC	Justice Sector Coordinating Council
MILF	Moro Islamic Liberation Front
MIP	Multiannual Indicative Programme
NEA	National Electrification Authority
NGO	Non-Governmental Organisation
NPS	National Prosecution Service
PCA	Partnership Cooperation Agreement
PDF	Peace and Development Framework
PDP	Philippine Development Plan
PNP	Philippine National Police
RHRC	Regional Human Rights Commission
SC/CMO	Supreme Court / Court Management Office
SME	Small and Medium Enterprises
USAID	United States Agency for International Development
UN	United Nations