

November 19, 2001

**MEMORANDUM OF INTENT BETWEEN THE GOVERNMENT OF THE
UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES FOR ASSISTANCE TO
MINDANAO**

WHEREAS, the Government of the United States of America (USG) and the Government of the Republic of the Philippines (GOP) consider the success of the peace process in Mindanao and the Sulu Archipelago ("Mindanao") to be of vital importance for national, regional, and global security, and for the campaign against global terrorism;

WHEREAS, the USG and the GOP consider the economic and social development of Mindanao to be an essential factor in achieving an enduring peace and in creating, in turn, the positive investment climate necessary to meet the aspirations of the Filipino people;

WHEREAS, the USG, acting through the United States Agency for International Development (USAID), and the GOP have since 1990 jointly established a number of successful mechanisms to promote economic and social development and the peace process in Mindanao; and

WHEREAS, USAID and the GOP recognize that the critical state of the peace process and the urgency of the campaign against terrorism require an expanded, multi-sectoral and multi-year effort in Mindanao.

NOW THEREFORE, USAID, and the GOP hereby set forth their intent in this Memorandum of Intent to expand their bilateral cooperation for peace and development in Mindanao as follows:

1. USAID intends to make available up to \$55 million in Fiscal Years 2001 and 2002, subject to the availability of funds and the mutual agreement of the parties and any applicable U.S. laws and regulations, for a coordinated, multi-year program of activities in Mindanao. It is anticipated that such assistance will finance the activities described in Annexes A through F to this Memorandum, and will be for the purposes of reintegrating former combatants into the peacetime economy; promoting community development in areas affected by conflict; expanding sustainable microfinance; strengthening Mindanao's economic base of infrastructure and production; building sustainability of Mindanao's private sector and producer organizations; strengthening the ability of decentralized local governments to root out corruption and provide responsive public services; strengthening public and private health and family planning services; and strengthening the capacity of Mindanao's local governments to protect and rationally utilize their scarce natural forest and coastal resources.

2. The GOP will continue to expand Mindanao's share of the national infrastructure investment, and will allocate expanded budgetary resources from the funds generated by USG commodity assistance and other sources to support the Mindanao activities under the program of peace and cooperation jointly agreed to in this Memorandum.

Signed at Washington, D.C., this 19th day of November, 2001.

FOR THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES
(Sgd.) Jose Isidro N. Camacho
Secretary of Finance

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA
(Sgd.) Andrew S. Natsios
Administrator
U.S. Agency for International
Development

ANNEX A ECONOMIC GROWTH

For over a decade, USAID has focused economic growth efforts in Mindanao. In recognition of the special priority that the Government of the Philippines, under the Administration of President Gloria Macapagal-Arroyo has placed on the development of Mindanao, the Philippines' poorest region, USAID is now substantially expanding its on-going support for economic growth activities in Mindanao. These activities, as described below, focus on helping people in conflict-affected areas re-build a peaceful economy and community life, and on creating a region-wide economic environment that generates jobs and stability for the people.

Total Fiscal Year 2001 and 2002 Funding up to \$17,806,000

Livelihood Enhancement and Peace (LEAP)

USAID LEAP Program to directly assist approximately 12,000 former combatants and their families in 400 communities to integrate themselves into the peacetime economy, will be carried out under the coordination of the GOP's Mindanao Economic Development Council (MEDC). LEAP is planned to be a broad and integrated combination of efforts involving the affected beneficiaries, Muslim organizations, local officials, and the private sector, and aims to develop productive capacities, build small infrastructure, and undertake social development efforts.

Growth with Equity in Mindanao (GEM)

The GOP and USAID will continue their long and fruitful partnership for promoting Mindanao's economic development through USAID's GEM project by focusing on achieving the sustainability of the producers associations and business organizations that the project has supported. GEM will also continue to provide assistance in identifying infrastructure projects for Mindanao, coordinating other efforts such as LEAP, and supporting policy reforms to benefit Mindanao's producers.

Advocating Trade and Investment Liberalization (ATIL)

USAID will maintain its on-going relationship with Philexport, the Philippine Government's public-private champion of trade and investment development, by continuing to provide it with grant assistance. This assistance will enable Philexport, a business-membership organization, to promote competitiveness in Mindanao and other regions, and to remain a leading business advocate of economic reforms that benefit investment and job creation in Mindanao.

Accelerating Growth, Investment, and Liberalization with Equity (AGILE)

In coordination with its Philippine Government partners, the Department of Finance and the National Economic Development Agency of the Philippines, USAID will continue to make policy development expertise available under its AGILE project in areas vital to Mindanao's economy such as ports management, local government finance, biotechnology, and anti-corruption, and also in the national economic policy arena.

ANNEX B MICROFINANCE

In support of the GOP's goal of expanding microentrepreneurs' access to credit and other financial services, US AID will increase its support to microfinance in Mindanao with a wide-ranging program of technical strengthening, policy reform, and institutional innovation.

Microfinance institutions in Mindanao are expanding rapidly, and in a sustainable way, with USAID's assistance. In addition to helping create a supportive policy and regulatory environment for microfinance within the central bank and Department of Finance in Manila, USAID is supporting two microfinance programs operating in Mindanao as follows:

Total Fiscal Year 2001 and 2002 funding, up to \$10,220,000

Microenterprise Access to Banking Services in Mindanao (MABS-M)

USAID's assistance improves both lending and deposit-management services.

Working with its Philippine private sector partner organization, the Rural Bankers' Association of the Philippines, USAID will expand its assistance to rural banks in Mindanao to reach more beneficiaries among Mindanao's micro enterprises and low-income population. A special effort will be made to bring microfinance into areas where access to the Philippines' unique rural bank network has been limited to date.

By also building the capacity of the Rural Bankers Association of the Philippines, USAID will help ensure the continuing, future expansion of this movement.

Credit Union Empowerment and Support Program (CUES)

USAID plans to extend its on-going assistance to the deposit-taking cooperative movement to help its leadership to establish a sustainable framework within which the movement can operate, and to reach out increasingly to the under-represented population in Mindanao.

Deposit-taking cooperatives participating in USAID's program to date are demonstrating remarkable success in improving service and security, and thus in expanding the number of benefiting cooperative members by tens of thousands — all with financial sustainability.

Credit Policy Improvement Project (CPIP)

USAID will continue its assistance to the Government of the Philippines' National Credit Council to enable the creation of a standard chart of accounts and management standards in support of the credit cooperative movement. Under CPIP, USAID and the National Credit Council are helping ensure that cooperative members' funds are safe and the benefits of microfinance are sustainable.